

# 1999

## Comprehensive Annual Financial Report

*for the  
fiscal year ended  
June 30, 1999*



*Arizona Department  
of Transportation*



# **Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 1999

**Prepared by:  
Financial Management Services**

# Certificate of Achievement for Excellence in Financial Reporting

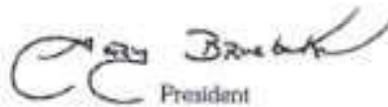
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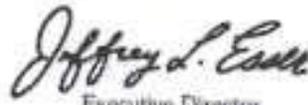
## *Arizona Department of Transportation*

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1998

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Cary Brueck  
President

  
Jeffrey L. Eselle  
Executive Director

**Arizona Department of Transportation**  
**Comprehensive Annual Financial Report**  
**For the fiscal year ended June 30, 1999**

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November 30, 1999

The Honorable Jane D. Hull,  
Governor of the State of Arizona,  
Members of the Legislature, and  
Citizens of the State of Arizona:

The Arizona Department of Transportation (Department) is pleased to submit the comprehensive annual financial report of the Arizona Department of Transportation, for the Fiscal Year ended June 30, 1999. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities have been included.

The Department was established by the State Legislature in July 1974 by combining the former Arizona Highway Department (originally established in 1927) and the State Department of Aeronautics (originally established in 1962). The Department is not legally separate from the State of Arizona's primary government. The Department's mission is to provide a transportation system, together with the means of revenue collection, licensing and safety programs, which meets the needs of the citizens of Arizona. It serves as the State's public agency to plan, develop, maintain and operate facilities for the efficient movement of people and goods by surface and air throughout the State. The Department has statutory responsibility for carrying out its programs under Arizona Revised Statutes, Titles 18, 28, 35 and 41.

The Department receives guidance in capital planning and program development from a seven-member Transportation Board of the State of Arizona Department of Transportation (Transportation Board) appointed by the Governor. The Transportation Board is responsible for the annual update of the five-year highway and airport construction program and

awards contracts each month for highway projects. The Transportation Board also has authority for the issuance of highway revenue and transportation excise tax bonds, grant anticipation notes and approval of privatization agreements for toll facilities.

The Department is structured into five major organizational units: Intermodal Transportation Division, Motor Vehicle Division, Aeronautics Division, Transportation Planning Division and Transportation Services Group. The Department employs approximately 4,700 persons.

The Department's key responsibilities to its customers include:

- ♦ Planning, designing, constructing, and maintaining a statewide transportation system.
- ♦ Providing title, registration, and licensing services.
- ♦ Providing revenue collection and distribution for both highway user and aviation-related taxes and fees.

To meet the needs of its customers, the Department's responsibilities are carried out at locations throughout the State. Most administrative activities are headquartered in or near the Capitol Complex in Phoenix. Transportation Services Group (TSG) includes a range of support services for the Department's core business functions. Field activities for the Motor Vehicle Division are carried out statewide including 22 Ports-of-Entry around the State's borders, and 65 Driver's License/Title and Registration Offices. The Intermodal Transportation Division services its customers through 10 District Offices located throughout the State. These District Offices are responsible for all construction and maintenance activities for the State highway system.

The comprehensive annual financial report is presented in three sections: Introductory, Financial, and Statistical. The **Introductory Section** includes this letter of transmittal, a list of principal officials and the Department's organizational chart. The **Financial Section** includes the report of the independent auditors, general purpose financial statements, notes, required supplementary information and the combining and individual fund and account group financial statements. The **Statistical Section** includes additional financial information and transportation data presented on a multi-year comparative basis.

The objectives of this comprehensive annual financial report are to provide data relative to the financial position of the Department in conformity with generally accepted accounting principles and to include the required financial audits of the State Highway Fund and the remaining funds.

This report includes all funds and account groups used to record the financial activity of the Department. The activities of the State Highway Fund (construction and debt service), the Maricopa Regional Area Road Fund, Bond Funds, and other funds that show the "pass-through" of state and federal monies are reflected in this report.

## **ECONOMIC CONDITIONS AND OUTLOOK**

### **For the Year Ended**

The Department's two main funding sources, the Highway User Revenue Fund (HURF) and the Maricopa County Transportation Excise Tax showed strong growth during Fiscal Year 1999.

Fiscal Year 1999 HURF collections were a \$95.3 million increase over last year's collections. With total collections of \$982.8 million, the increase over last year is a 10.7 percent increase. Results exceeded the forecast of \$939.9 million by 4.6 percent. All the major revenue categories exceeded the estimate except Motor Carrier and Registration.

Fiscal Year 1999 saw a continued strong Arizona economy along with positive impacts from Fiscal Year 1997 legislative changes (Senate Bill 1144 and Senate Bill 1398). Arizona continued to rank high in population, personal income and employment growth. These factors contributed to sharp increases in Gas Tax and Use Fuel Tax collections. The Vehicle License Tax (VLT) posted strong gains over Fiscal Year 1998 revenue levels due to strong economy factors and

certain Motor Vehicle Division (MVD) revenue acceleration programs including registration compliance and biennial registration.

Arizona's population has grown at an average annual rate of 3.1 percent since 1990, reaching an estimated 4.8 million by July 1999. Arizona continues to rank as one of the fastest growing states in the nation. The economic wealth of Arizona has also increased with personal income growing at an annual average rate of 7.5 percent since 1990 compared to 5.3 percent for the United States. Arizona wage and salary employment has grown by 4.5 percent creating an average of 70,000 jobs each year for the same time period.

The second significant funding source for the Department is the Maricopa County Transportation Excise Tax, which funds the Maricopa County Regional Freeway System. The Transportation Excise Tax, with receipts deposited into the Maricopa County Regional Area Road Fund (RARF), is applied to business activity in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other smaller activities.

Maricopa County Transportation Excise Tax collections totaled \$229.5 million during FY 1999, an increase of 9.7 percent over the Fiscal Year 1998 collections. The tax tracked 1.1 percent above the forecast for the year. Since 1990, the Maricopa County Transportation Excise Tax collections have grown by an average annual growth rate of 8.4 percent.

### **For the Future**

The Department forecasts HURF collections will reach the \$1 billion milestone forecast in FY 2000, with the forecast totaling \$1,022.7 million. This amount represents a 4.1 percent increase over the Fiscal Year 1999 revenue level. The HURF average annual compound growth rate for Fiscal Years 1990 through 1999 has been 4.5 percent.

The distribution of HURF collections in Fiscal Year 2000 is estimated to be as follows: State Highway Fund \$509.4 million; Arizona cities and towns \$307.7 million; Arizona counties \$191.7 million; Department of Public Safety \$12.5 million; Prescott Regional Transportation Center \$0.4 million, and Economic Strength Project Fund \$1 million. In addition, the Department's share of the non-HURF portion of the vehicle license tax is estimated at \$22.4 million.

Transportation Excise Tax collections for Fiscal Year 2000 are projected to be \$246.6 million, an increase of 7.5 percent over Fiscal Year 1999. The outlook for Fiscal Year 2000 remains positive with some moderation in Arizona's economic indicators. The Transportation Excise Tax average annual compound growth rate for Fiscal Years 1990 through 1999 has been 8.4 percent.

Landmark Federal transportation legislation was enacted into law on June 9, 1998, providing Arizona funding through Fiscal Year 2003 under a multi-year authorization bill. This measure, the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), provides a record level of investment for transportation infrastructure. Under TEA-21, Arizona is expected to receive \$2.5 billion over the Fiscal Year 1998-2003 period. On an annual basis, the Department expects to receive an average of \$315 million per year in Federal highway apportionments with an additional \$98 million allocated to local governments. The TEA-21 funding level for Arizona is estimated to be approximately 63 percent higher than the average Arizona received under the previous Federal Transportation Act (ISTEA).

In developing the State's transportation plans and budgets, the goal is to produce a balanced program that maximizes the investment of transportation dollars, while meeting priority needs, both in the construction and operations area. The Department has developed and implemented a strategic approach to transportation financial planning which is linked to the budget to ensure that the resources necessary to implement the plan are allocated in accordance with priorities reflected in the plan.

The framework for strategic financial planning encompasses the use of enhanced tools, models and techniques, including cash flow models, statistical and econometric models, and bond optimization modeling. Life cycle management and risk analysis are enhancements that have significantly strengthened the planning process, further ensuring that programs remain in fiscal balance.

Through strategic planning, the Department integrates the needs of projected budgets for operations, the Five-Year Highway and Aviation Construction Programs, and Land, Building and Improvements (Facilities) into a composite plan for operating within the constraints of a dedicated, but limited, revenue stream. This planning process

involves the evaluation of alternatives to ensure the efficient and effective use of limited resources. The product of this process is a deliverable plan of transportation improvements that is fiscally conservative.

## **MAJOR INITIATIVES**

### **For the Year Ended**

During Fiscal Year 1999, the Department continued to make significant progress in delivering quality products and services to Arizona residents and visitors. Highlighted below are the Department's most notable achievements.

During Fiscal Year 1999, a total of \$969 million was obligated for highway construction, the highest level ever attained. This total included \$408 million for Maricopa Regional Freeway System projects, \$46 million for other projects in Maricopa County, and \$515 million for work statewide. At the end of Fiscal Year 1999, the Department had \$1.0 billion in highway construction work underway, a continuing record level of activity.

The Regional Freeway Program in Maricopa County that was redefined in 1995 to complete 107 miles of freeways by 2006 has been advanced and expanded to include 37 additional miles on the Santan and Red Mountain freeways, previously shown in the Long Range Plan. Under the "2007 Acceleration Plan," 156 miles of new freeways are planned to be opened by the end of 2007. Currently 56 miles have been opened to traffic and 30 more miles are under construction. The acceleration is being accomplished through the use of two new financing techniques, Grant Anticipation Notes and Board Funding Obligations.

Construction is underway to expand the Department's Freeway Management System on 24 miles of Interstate 17, Squaw Peak Freeway (SR 51), Red Mountain Freeway (Loop 202) and the Price Freeway (Loop 101). The 24 mile expansion will be completed in 2000 and link to the existing freeway network that already covers 42 miles of Valley freeways. The network of traffic sensors, electronic signs, computers, communications equipment, cameras and people monitor traffic conditions and notify response teams of accidents. A freeway management system on Interstate 10 and Interstate 19 in Tucson is being designed with construction to start in the Spring of 2000. When the Tucson system comes online in mid-

2001, it will be linked to the Valley's system. The Department's freeway management system also is expanding to rural areas with the design and installation of 17 variable message signs on rural highways over the next two years. The message signs will join an existing network of seven signs installed on rural highways to warn drivers of road conditions and incidents.

In June 1999, the Transportation Board approved a \$4.3 billion Five-Year Highway Construction Program for Fiscal Years 2000 through 2004, which provides funding for highway facilities throughout the State. The Five-Year program includes approximately: \$1,598 million for freeway and expressway construction in Maricopa County funded in large part from the Maricopa County Regional Area Road Fund; \$1,778 million for system improvements; \$660 million for system preservation, and \$241 million for system management on both the National Highway System and statewide system.

The Transportation Board also adopted a Five-Year \$293 million Statewide Airport Development Program that includes 504 projects at general aviation and air carrier airports located throughout the state. During Fiscal Year 1999, the Department awarded grants totaling \$19.9 million to help finance projects at 35 airports. The projects included pavement construction and preservation, lighting aids, security fencing, land acquisition and master planning.

The state-owned Grand Canyon National Park Airport remained the third busiest air carrier airport in the State with 170,193 takeoffs and landings and with 1,091,285 passengers enplaning and deplaning. The airport has been owned by the State since its construction in 1965. Grand Canyon Airport revenue for Fiscal Year 1999 amounted to \$1 million. A \$0.7 million construction project was completed at the Grand Canyon Airport during Fiscal Year 1999. This project included a water supply/distribution system. On May 12, 1999, Governor Hull signed House Bill 2374 which creates an Airport Authority for the Grand Canyon National Park Airport and brings to completion 35 years of operation by the Aeronautics Division of the Arizona Department of Transportation. The transition date was October 1, 1999.

The Department has made significant progress to become Year 2000 (Y2K) compliant. By November 1999, the Department will have brought all of its

mission critical systems, PCs, networks and mainframe into Year 2000 compliance.

As the public demand for information and services online continues to grow, the Department Web site at [www.dot.state.az.us](http://www.dot.state.az.us) receives over 150,000 hits a week while providing government agencies, customers and partners current transportation related information. Arizona Highways magazine, current freeway construction alerts and updates and online vehicle registration through ServiceArizona are just a sampling of the variety of pertinent Department information that visitors to the site will find. In January 1999, ADOTNet (the Intranet site) was released, providing a centralized source of information that has enhanced the internal exchange among employees and generated a more collaborative work environment. Some of the projects under development include applications to provide contractors with up-to-date project information as well as creating several additional areas within the Department.

The Motor Vehicle Division's Third Party Program continues to expand, in line with the strategic direction to focus on customer service and promote competitive government by partnering with public and private sector contractors to provide certain MVD services. By the end of Fiscal Year 1999 there were 42 third party companies providing title and registration services at a rate of approximately 50,000 transactions per month. Other third parties are performing inspections on out-of-state vehicles transferring titles to Arizona, administering driver license exams and processing driver license applications. Overall, third parties were performing 20 percent of MVD's business by the end of the Fiscal Year.

In addition, nearly 30,000 vehicle owners per month are renewing their vehicle registration on the Internet or by interactive voice response (IVR) on the telephone with the Division's electronic service delivery system, ServiceArizona. This system has won industry awards and national recognition for its innovative use of technology to improve customer service. MVD is working to encourage even more customers to renew by mail, Internet, and IVR thereby avoiding a trip to a MVD office. During Fiscal Year 1999, MVD expanded the number of call centers, improving overall telephone wait time.

## **For the Future**

As Arizona approaches the 21<sup>st</sup> Century, increasing demands will be placed on the State's transportation infrastructure and support services, in response to an expanding population base. The Department will be challenged to maintain existing facilities, meet the demand for new or upgraded roadways, and provide needed services for its citizens. Given increasing requirements in an environment of constrained revenues, one of the Department's key strategies will focus on optimizing resources through process improvements, encouraging more competitive business practices, and leveraging existing revenues. Innovative financing and public-private partnerships will continue to play a key role in maximizing resources to better meet transportation needs. Another key strategy will be workforce development to ensure that the Department retains a high performing workforce with the skill sets to meet the changing needs of the Department.

### ***Innovative Financing***

Investment in transportation infrastructure will continue to play an important role in the strengthening of the Arizona economy in the 21<sup>st</sup> Century. Investment in transportation infrastructure ultimately contributes to higher productivity and income. In order to optimize dollars for construction, the Department has implemented several innovative financial mechanisms. These mechanisms include additional funding of the Highway Expansion and Extension Loan Program (HELP) and Grant Anticipation Notes. In addition the Department has been authorized to issue up to \$300 million in Board Funding Obligations (BFO) over the next four years. Deposit of BFO monies into the HELP Fund will begin in late October 1999.

### ***Maricopa County Regional Freeway System***

Transportation serves a vital strategic role in regional development. A safe and efficient transportation system can further economic growth, enhance competitiveness in the global marketplace, and provide a better quality of life for the citizens of the region. Improved or new transportation facilities often serve as a catalyst in business location decisions. Over the fourteen-year period from Fiscal Year 1986 to 1999, ADOT has spent \$3.5 billion on new regional freeway projects in the Phoenix area, financed largely with the 1985 voter approved transportation excise

tax. This investment has been a powerful engine for economic growth in the region.

Between 2000 and 2007, the Department will spend an additional \$1.6 billion to build new freeways in the Phoenix area. Planned construction is highlighted below:

#### ***Pima Freeway (Loop 101)***

Pima Freeway from Loop 202 to 90th Street is open and construction is underway on the freeway north to Princess Drive. Motorists will be able to access the Pima Freeway at Shea Boulevard near the end of 1999. In the next two years, the Department will spend approximately \$100 million to extend the Pima Freeway across the northern edge of the Valley, linking it with Interstate 17 and the Agua Fria Freeway.

#### ***Price Freeway (Loop 101)***

This north-south route will be the city of Chandler's first freeway, giving this growing community direct access to the Regional Freeway System. Two projects between Guadalupe and Frye Roads are now under construction with completion estimated in early 2001. The Price Freeway interchange with the Santan Freeway (Loop 101) is expected to be completed by the end of 2004.

#### ***Red Mountain Freeway (Loop 202)***

The Red Mountain Freeway continues to reach farther into the East Valley. Also known as the Loop 202, this freeway is a popular alternative to the Superstition Freeway (US 60). In August 1998, the Red Mountain Freeway opened to Country Club Drive (SR 87), making it easier for motorists to reach the State's rim country. Over the next six years, the Department will spend more than \$550 million to complete the Red Mountain Freeway to the Superstition Freeway (US 60), which will serve the rapidly growing communities of the East Valley.

#### ***Squaw Peak Freeway (SR 51)***

The Squaw Peak Freeway recently opened to Bell Road, bringing the total number of open miles on this facility to eight. The remaining two miles are scheduled for completion by 2005.

### ***Agua Fria Freeway (Loop 101)***

The northwest Valley has seen major strides toward the completion of the Agua Fria Freeway. Currently, 16 miles are open between Northern Avenue and Interstate 17. The residents of the growing West Valley suburbs now have direct freeway access to downtown Phoenix. By the end of the year 2000, the Department will spend an additional \$100 million to complete the Agua Fria Freeway between Interstate 10 and Northern Avenue.

### ***South Mountain Freeway (Loop 202)***

The acceleration of the Regional Freeway System includes an early connection of the Interstate 10 / Santan / South Mountain interchange to the west that will connect to existing Pecos Road at 40<sup>th</sup> Street. An interim South Mountain Freeway connection between Pecos Road at 19th Avenue to Baseline Road near 59<sup>th</sup> Avenue is also planned to be complete by 2005, which will provide access to the Ahwatukee community, to and from the west.

### ***Santan Freeway (Loop 202)***

Project development on the Santan Freeway, which is projected to cost approximately \$730 million, is starting with the first project scheduled to begin construction in 2001 near Interstate 10. Completion of the Santan Freeway is targeted for 2007. The Santan Freeway will provide improved mobility to the rapidly growing southeast valley.

### ***Technology***

ADOT is considered a leader in the use of technology to improve traffic flow and keep drivers informed about freeway and highway conditions. Less congestion leads to safer freeways. As the Valley's freeway system grows, so does the Department's network of computer driven message boards and traffic flow detectors. The application of Intelligent Transportation Systems (ITS) allows ADOT technicians in the Department's Traffic Operations Center in Phoenix to monitor traffic conditions and alert drivers to delays. Drivers can log on to ADOT's main web site at [www.dot.state.az.us](http://www.dot.state.az.us) or go directly to ADOT's freeway management system at [www.azfms.com](http://www.azfms.com) for traffic information.

ADOT, Maricopa County, Valley cities and private industry launched the AZTech initiative to install technologies to detail current traffic conditions, ease congestion, alert drivers to delays and improve public transit operations. AZTech received a \$7.5 million federal grant to help fund the \$15 million project. In the fall of 1998, AZTech launched its first phase of deployment with the development of a regional traffic management system that coordinates traffic management and incident management activities among traffic, police and emergency services across the Valley of the Sun. During the fall of 1999, AZTech will complete its second phase of technology deployment by expanding its regional traffic management and traveler information systems. Valley cities are installing cameras, traffic signs and message signs on key surface street routes to monitor traffic conditions and make drivers aware of conditions ahead. New traveler information providers also will offer services through the Internet, in-car devices, pagers and e-mail.

### **FINANCIAL INFORMATION**

Department management is responsible for establishing and maintaining internal control designed to help ensure that the assets of the Department are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by Department management.

The Department's internal control includes both automated controls, which are an integral component of the financial accounting system, and comprehensive policies and procedures. In addition, the Department's Office of Audit and Analysis is an independent unit that reviews accounting controls and performs operational audits of the various divisions and units of the Department.

In order to provide accurate, reliable, and timely financial information, accounting policies, procedures, and systems are monitored on an ongoing basis and revised, as needed, to meet Department requirements. The Department upgraded its on-line accounting

system July 1, 1998. This new system is Year 2000 compliant.

General Government Functions The following two schedules present a summary of All Governmental Fund Types and Expendable Trust Funds, which includes the Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Expendable Trust Funds revenues and expenditures, respectively, for Fiscal Year 1999, and the amount and percent of increases or decreases in relation to the prior year's amounts.

Operating revenues from all governmental funds totaled \$1,276.5 million during the Fiscal Year 1999, an increase of 23.4 percent from the preceding year. The increase in revenues can be attributed to increase in

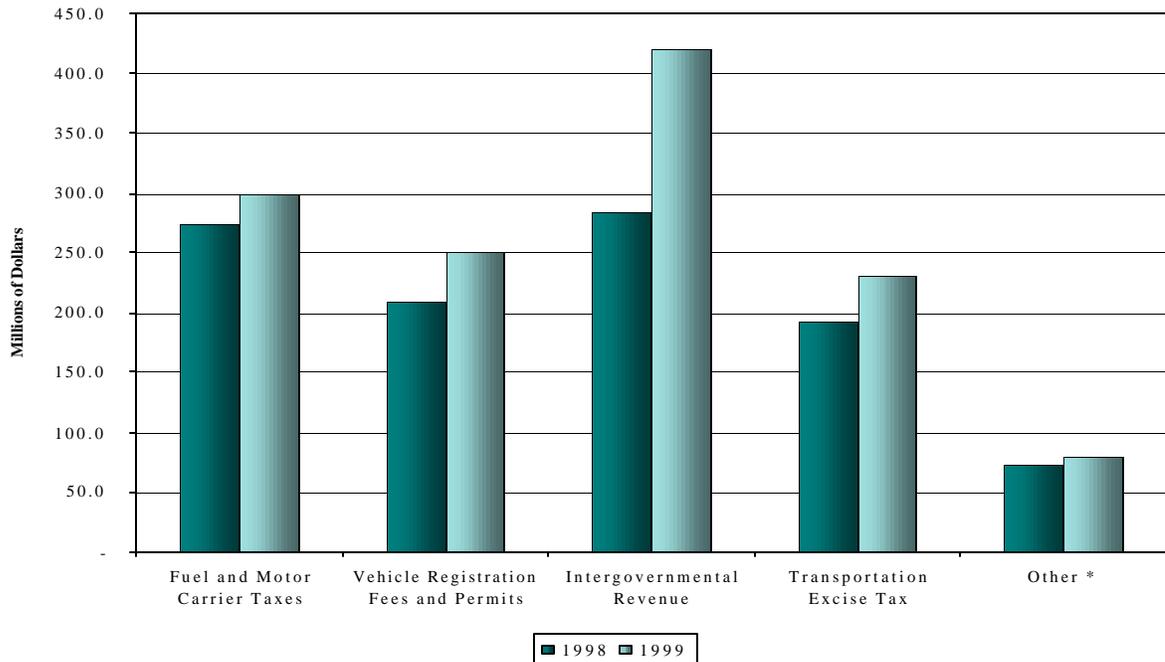
the following major sources: fuel and motor carrier taxes, vehicle registration, title, license and related fees, intergovernmental revenues (primarily federal) and transfers from other state funds.

The increases in the vehicle registration, title, license and related fees were mainly due to the implementation of Senate Bill 1144, which sharply increased apportioned registration fees for motor carriers. The following is a summary of the Department's governmental fund revenues.

**Schedule 1**  
**Summary Statement of Revenues**  
All Governmental Fund Types and Expendable Trust Funds  
Fiscal years ended June 30, 1999 and 1998  
(Expressed in Millions)

<u>Revenues</u>	<u>1999</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>1998</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u>&lt;Decrease&gt;</u> <u>from</u> <u>Prior Year</u>	<u>Percent</u> <u>Increase</u> <u>&lt;Decrease&gt;</u> <u>from</u> <u>Prior Year</u>
Fuel and Motor Carrier Taxes	\$ 298.4	23.4%	\$ 273.8	26.5%	\$ 24.6	9.0%
Vehicle Registration, Title, License and Related Fees	250.1	19.6%	210.3	20.3%	39.8	18.9%
Intergovernmental Revenue	419.2	32.8%	284.0	27.5%	135.2	47.6%
Transportation Excise Tax	229.5	18.0%	192.5	18.6%	37.0	19.2%
Interest	34.4	2.7%	34.4	3.3%	-	-
Other	28.2	2.2%	31.0	3.0%	<2.8>	<9.0%>
Transfers from Other State Funds	16.7	1.3%	8.5	0.8%	8.2	96.5%
<b>Total Revenues</b>	<b>\$ 1,276.5</b>	<b>100.0%</b>	<b>\$ 1,034.5</b>	<b>100.0%</b>	<b>\$ 242.0</b>	<b>23.4%</b>

**Summary Statement of Revenues**



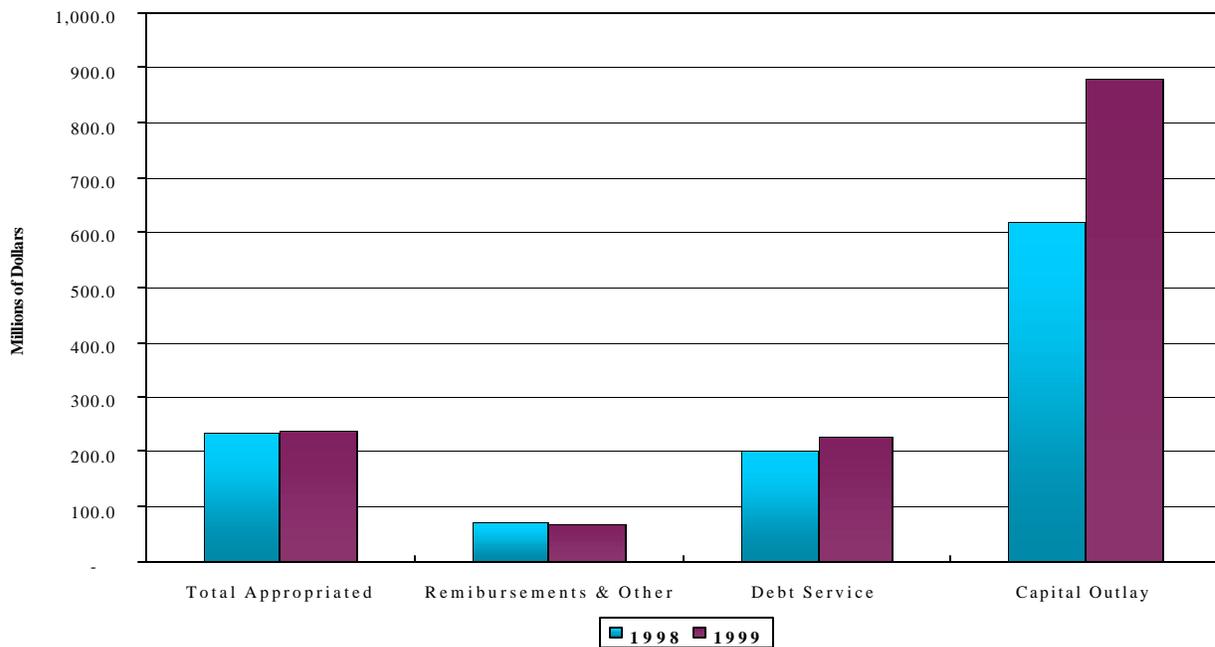
\*Other revenues includes interest, transfers from other State funds and other.

Governmental and Expendable Trust Fund expenditures totaled \$1,419.2 million during Fiscal Year 1999, a \$295.0 million increase from the previous year. The largest increase in expenditures was \$265.3 million for capital outlay. This increase is attributable to the Department's acceleration of the completion of

the freeway program by the year 2007. The total fund balance for governmental funds increased by \$11.5 million or 2.2 percent to \$534.3 million. The following is a summary of Governmental and Expendable Trust Funds expenditures.

<b>Schedule 2</b>						
Summary Statement of Expenditures						
All Governmental Fund Types and Expendable Trust Funds						
Fiscal years ended June 30, 1999 and 1998						
(Expressed in Millions)						
<u>Expenditures</u>	<u>1999</u>	<u>Percent</u>	<u>1998</u>	<u>Percent</u>	<u>Increase</u>	<u>Percent</u>
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u>&lt;Decrease&gt;</u>	<u>&lt;Decrease&gt;</u>
					<u>from</u>	<u>from</u>
					<u>Prior Year</u>	<u>Prior Year</u>
Appropriated by Legislature (Operating)						
Administration	\$ 44.7	3.1%	\$ 43.9	3.9%	\$ 0.8	1.8%
Highway	42.0	3.0%	41.4	3.7%	0.6	1.4%
Highway Maintenance	79.3	5.6%	76.6	6.8%	2.7	3.5%
Motor Vehicle Division	70.4	5.0%	63.1	5.6%	7.3	11.6%
Aeronautics Division	2.2	0.1%	9.4	0.9%	<7.2>	<76.6%>
Other	1.4	0.1%	1.2	0.1%	0.2	16.7%
Total Appropriated	240.0	16.9%	235.6	21.0%	4.4	
Reimbursements & Other	52.0	3.7%	61.1	5.4%	<9.1>	<14.9%>
Debt service	226.9	16.0%	199.9	17.8%	27.0	13.5%
Capital Outlay	881.6	62.1%	616.3	54.8%	265.3	43.0%
Not Appropriated by Legislature	18.7	1.3%	11.3	1.0%	7.4	65.5%
<b>Total Expenditures</b>	<b>\$ 1,419.2</b>	<b>100.0%</b>	<b>\$ 1,124.2</b>	<b>100.0%</b>	<b>\$ 295.0</b>	<b>26.2%</b>

### Summary Statement of Expenditures



Budgetary Controls The Department employs a significant number of tools and techniques in its budgetary control process. Arizona Revised Statutes, Title 35-113, outlines the Department's basic budgetary responsibilities. During the 1998 legislative session, the annual operating budget requirement was changed to a two-year budget submitted each odd-numbered year. The first two-year budget was submitted in 1999 for Fiscal Years 2000 and 2001. During 1999 the Legislature appropriated \$277.9 million for the Agency's Operating Budget for FY 2000 and \$288.3 million for FY 2001. The annual capital improvement plan, which contains proposals for State spending on land acquisition, capital projects, energy systems, energy management systems and building renewal for the building system, was changed to a two-year budget submitted each even-numbered year.

Each Fiscal Year is delineated separately. When the Legislature convenes in even-numbered years, the Governor may submit to the Legislature any proposed revisions to the enacted operating budgets for the current and ensuing Fiscal Years. The plan must include an estimate of all available monies and revenues and an explanation for any changes to the enacted budgets.

The Director of the Department is responsible for developing a Strategic Plan for the Department and for developing a Master List of programs within the Department. The Plan shall extend to the current Fiscal Year and the two ensuing Fiscal Years and shall contain a mission statement, goals, objectives and performance measures for the Department as a whole. Each program included on the Master List shall similarly include its mission statement, goals, performance measures that emphasize results and budgetary data for the current and prior Fiscal Years. The budgetary data shall include funding amounts, regardless of source. As noted above, a Strategic Plan (as well as a Master List) complying with these requirements was completed September 1, 1999.

Budgets are submitted to the Governor in accordance with State law. The appropriations are legally enacted after approval by the Governor and the Legislature. After passage by the Legislature, the appropriation bills are sent to the Governor for approval and signature. Upon receipt of the operating budget appropriations bill, allocations are made to organizational levels within each division, including changes such as for pay adjustments. The result is a detailed operating budget which guides the divisions and programs in their financial operation.

The Five-Year Highway and Aviation Construction Programs are included in the Capital Improvements Appropriations bill, as a lump-sum budget without identifying individual projects. In the Land, Building and Improvements portion of that bill, each separate building project is often identified for control purposes.

Amendments to the approved appropriations require legislative approval. Expenditures may not legally exceed these budgeted appropriations. The Governor's Office of Strategic Planning and Budgeting may transfer spending authority between and within programs if spending authority is appropriated to the agency by programs. The amount transferred from or into a program shall not exceed ten percent of the original appropriation unless otherwise provided by law.

The budgets are prepared on a cash basis except that liabilities (encumbrances) incurred before the end of the Fiscal Year and paid within the next calendar month are charged against that prior Fiscal Year's budget. With a few exceptions, such as the capital budgets and highway maintenance, State appropriations typically lapse at year-end.

The Department relies on the Arizona Financial Information System (AFIS) to control total expenditures by appropriation. In addition, the Department utilizes several control features in its internal accounting system (ADVANTAGE) to ensure budgetary compliance and management control. These features include: encumbrance and pre-encumbrance capabilities, monthly or quarterly allotment controls, appropriation allocation and control capabilities to the expense budget and organization level, and management control reports from the expense budget/organizational unit level, with summary reporting capabilities by program, division, or appropriation.

A legal limitation is adopted for capital outlay including land, building and improvements for the State Highway Fund, Aviation Fund, and Safety Enforcement and Transportation Infrastructure Fund. Any balances and collections in these three funds in excess of the specific amounts appropriated in the General Appropriations Act are appropriated to the Department. The Department monitors expenditures through an internal budgetary process and the five-year construction program approved by the Transportation Board. A legal limitation is not

adopted for the other special revenue funds, the debt service funds, capital projects funds, proprietary funds and fiduciary funds.

In addition, the Department's Office of Strategic Planning and Budgeting staff perform expenditure projection analyses of all appropriated and non-appropriated funds on a monthly basis. These analyses utilize financial and management reports from both AFIS and ADVANTAGE to project total year-end expenditures by organizational unit and highlight potential problem areas. The Office also reviews progress in meeting the Agency's Key Objectives and Performance measurements monthly and makes recommendations for remedial changes as necessary.

Proprietary Operations Proprietary funds are used to account for the Department's on-going organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the Department's business and quasi business activities - where net income and capital maintenance are measured - are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the Department is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed from sales or other revenues. The only enterprise fund of the Department is the Arizona Highways Magazine Fund.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies, or to other governments, on a cost-reimbursement basis. Internal service funds of the Department include the Equipment Revolving Fund and the Warehouse Revolving Fund.

Fiduciary Funds Fiduciary funds are used to account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust and Agency Funds include expendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as

governmental funds and includes the Local Agency Deposits Fund.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds of the Department include the Motor Vehicle Division Clearing Fund, the Highway User Revenue Fund, the Underground Storage Tank Fund, the Highway Property Rentals - 24 Percent Fund, the Economic Strength Project Fund, and the Privilege Tax Fund.

The Arizona State Retirement System Board administers the Arizona State Retirement Plan (Plan), a cost sharing multi-employer public employee retirement system, for the benefit of Arizona employees and employees of certain other governmental entities. Plan provisions, including death, disability, and retirement benefits, are established by State statute. Substantially all employees of the Department are covered by the Plan. The Department's total payroll for Fiscal Year 1999 was \$144 million. The Plan is funded through payroll deductions from employees' gross earnings and amounts contributed by the Department. Retirement benefits are obligations of the Plan and not of the Department. The Arizona Revised Statutes provide statutory authority for employee and employer contributions. The employee and employer contribution rate for the year ended June 30, 1999, was actuarially computed to be 3.34 percent of covered payroll by an actuarial valuation performed at June 30, 1997. The contribution requirement for Fiscal Year 1999 was \$4.7 million by both the employees and the Department.

Debt Administration As of June 30, 1999, the Department had \$1.28 billion in outstanding bonds payable. This total included \$153.4 million in Highway Revenue Bonds (commonly known as HURF bonds) secured by a first lien pledge against the Department's share of the highway user revenues and \$371.0 million in subordinated bonds. In addition, there is \$419.0 million in Transportation Excise Tax Bonds (commonly known as RARF bonds) secured by a first lien pledge against the revenues flowing into the Maricopa Regional Area Road Fund, and \$333.3 million in subordinate Transportation Excise Tax Bonds secured by a second-lien pledge against revenues flowing into the Maricopa Regional Area Road Fund.

The bonds have been sold in 16 separate issues between 1986 and 1998. All bonds issued to date are scheduled to mature not later than July 1, 2011. The bonds are obligations of the Transportation Board

and are not obligations of the State of Arizona. They do not constitute a legal debt of the State, and payment is not enforceable from any revenue other than Highway User Revenues and Maricopa Transportation Excise Taxes.

Of the \$3.05 billion total in bonds issued between 1986 and 1998, \$1.09 billion, or approximately 36 percent, have been refunding issues to lower debt service costs. These efforts have resulted in cumulative savings of \$56.2 million in current dollar debt costs and \$38.6 million on a present value basis. These savings provide additional funds for highway construction.

The senior lien HURF bonds have been rated Aa1/AAA by Moody's Investors Service and Standard & Poor's Ratings Services (S&P), respectively. The Department is one of only two state transportation issuers whose highway bonds are rated AAA by S&P. The Department's subordinate lien HURF Bonds have been rated Aa2/AA. The RARF senior lien bonds are rated Aa2/AA, while the RARF subordinate bonds are rated A1/A.

Cash Management During Fiscal Year 1999, the Department earned \$33.6 million in interest from its investment program. The interest was earned from investing 99.1 percent of the Department's \$593 million average cash balance during the year. An average yield of 5.5 percent was received on the Department's investments during Fiscal Year 1999.

The Cash Management Unit has responsibility for the Department's investment program in cooperation with the State Treasurer's Office. The Cash Management Unit processes investment transactions through the State Treasurer's Office by informing the Treasurer of the amount available to invest and the desired maturity date. The State Treasurer is responsible for purchasing and selling investment securities in the market and administering the collateral for the Department's investments. The Department prepares cash flow forecasts, develops cash strategies, forecasts interest rates and market conditions, and conducts cash management studies to improve collection, deposit, disbursement, and fund transfer procedures.

It is the policy of the Department, in cooperation with the State Treasurer's Office, to invest public funds for maximum return, while maintaining the safety of investment principal and adequate liquidity to meet cash flow requirements in conformity with State statutes governing investment of the Department

funds. This investment policy applies to all financial assets administered by the Department under statutory authority.

The investment program has grown from a total of six funds in 1980 to 27 funds currently invested. The system has been computerized and several daily and monthly monitoring reports have been completed. An annual Investment Planning and Monitoring Report has been developed, including yearly objectives and strategies for key performance areas. The emphasis of the Investment Program has focused on maintaining 99 percent of cash invested, thereby maximizing the investment yield. The Department has received the Investment Policy Certification of Excellence Award from the Municipal Treasurers' Association of the United States and Canada.

Risk Management The Department continues to place emphasis in the area of risk management in order to control exposure and losses. The Office of Risk Management is responsible for the coordination of all activities necessary within the Department, and, in conjunction with the State's Risk Management Division and Attorney General's Office, to investigate and defend the Department from all losses arising from tort liability claims.

The State has a self-insured retention worker's compensation program. The Department's Safety Office has increased its emphasis on training, accident investigation, and the handling of hazardous materials to minimize exposure and injury to employees.

The Department has first dollar replacement value on real property coverage for all losses exceeding \$100.

## **OTHER INFORMATION**

Independent Audit Arizona Revised Statutes, Title 41-1279.03, requires the State Auditor General to "conduct or cause to be conducted at least biennial financial and compliance audits of financial transactions and accounts kept by or for all state agencies subject to the Single Audit Act of 1984 (P.L. 98-502). The audits shall be conducted in accordance with generally accepted governmental auditing standards and, accordingly, shall include tests of the accounting records and other auditing procedures as may be considered necessary in the circumstances. The audits shall include the issuance of suitable reports required by the Single Audit Act Amendments of 1996 (P.L. 98-502)."

In fulfillment of this requirement, the Department contracts with an independent public accounting firm to perform an annual audit of the Department and submit a “comprehensive financial report of all funds for the preceding year including a report by the independent public accounting firm attesting that the financial statements present fairly the financial position of the Department in conformity with generally accepted accounting principles.” Independent audits have been conducted on an annual basis since the Department’s formation in 1974.

For Fiscal Year 1999, the accounting firm of Ernst & Young LLP conducted the Department’s financial audit and Single Audit as required by the Arizona Revised Statutes, Title 41-1279.03.

Ernst & Young LLP considered internal control in order to determine auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control. The consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, Ernst & Young LLP noted no matters involving internal control and its operation which they consider to be material weaknesses.

Single Audit The Department is required to undergo an annual Single Audit in accordance with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations.” The Department’s Single Audit information is included in the Single Audit of the State for the Fiscal Year ended June 30, 1999.

A requirement of the Single Audit is to ensure that adequate internal control is in place and that the

Sincerely,

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Mary E. Peters, Director  
Arizona Department of Transportation

Department is in compliance with applicable Federal laws and regulations. The internal control has been reviewed by the United States Department of Transportation’s (U.S. DOT) Inspector General on several occasions in the past. The U.S. DOT auditors typically rely on the Department’s internal audit staff in determining the scope of their review. These reviews are in addition to the comprehensive review of the Department’s internal control previously mentioned.

Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arizona Department of Transportation for its comprehensive annual financial report for the Fiscal Year ended June 30, 1998. This was the ninth consecutive year that the Department has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. A special note of thanks is extended to the staff of Fiscal Operations and Resource Management whose commitment, professionalism, and dedicated efforts contributed to the timely preparation of the Fiscal Year 1999 comprehensive annual financial report.

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John E. McGee, Chief Financial Officer  
Financial Management Services

**Arizona Department of Transportation  
List of Principal Officials**

**Mary E. Peters**  
Director

**Victor M. Mendez**  
Deputy Director

**Sam Maroufkhani**  
Chief of Staff

**Edward D. Wright**  
State Engineer  
Intermodal Transportation Division

**Stacey K. Stanton**  
Acting Assistant Director  
Motor Vehicle Division

**Mary Lynn Tischer, PhD**  
Assistant Director  
Transportation Planning Division

**Gary Adams**  
Assistant Director  
Aeronautics Division

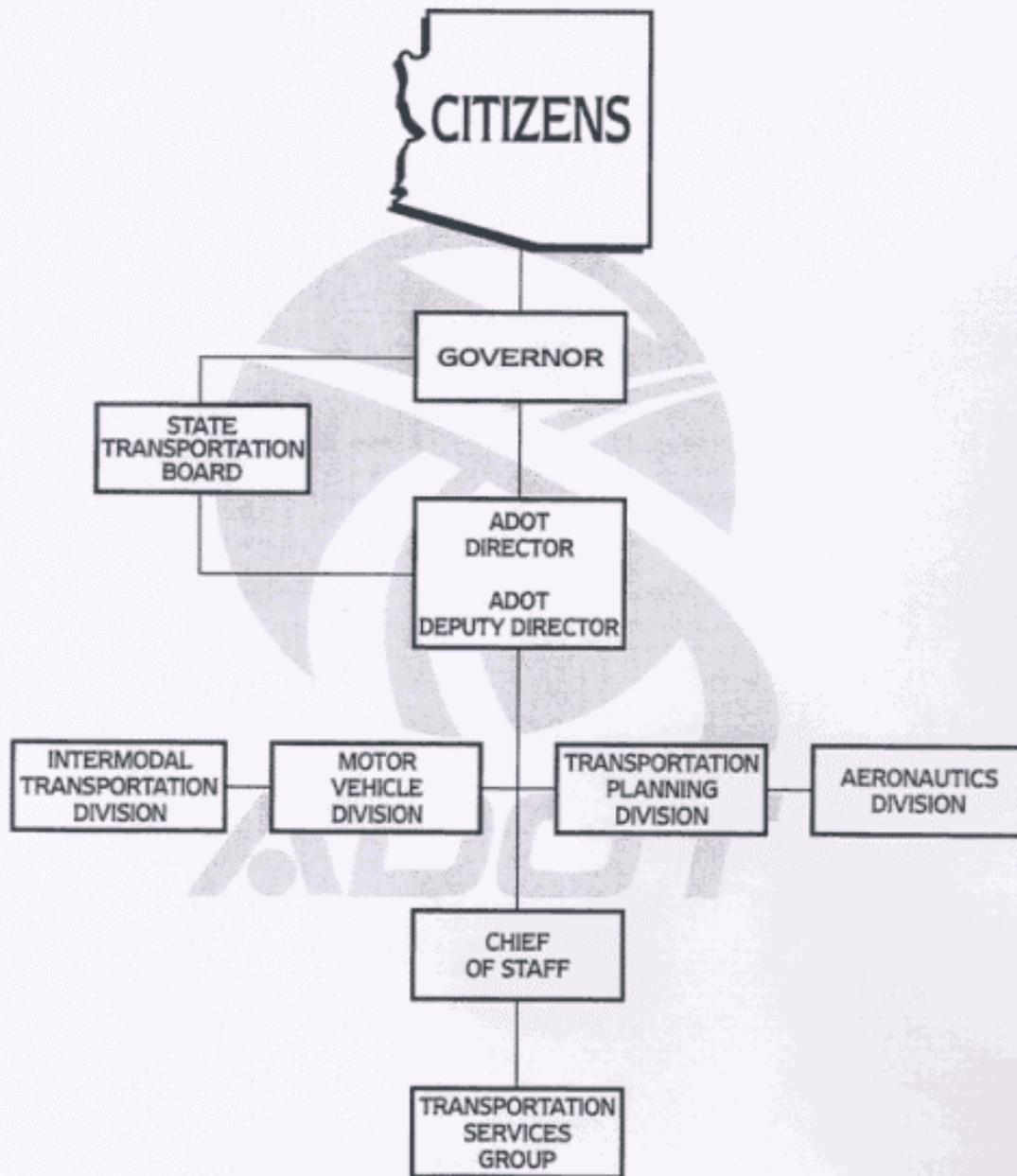
**John E. McGee**  
Chief Financial Officer

**Arizona State Transportation Board**

John I. Hudson, Chairperson	District Six
Jerry C. Williams, Vice Chairperson	District Three
F. Rockne Arnett	District One
Katie Dusenberry	District Two
Ingo Radicke	District Four
Bill Jeffers	District Five



# Arizona Department of Transportation Organizational Chart



### Report of Independent Auditors

Transportation Board of the State of Arizona  
Arizona Department of Transportation

We have audited the accompanying general purpose financial statements of the Arizona Department of Transportation (Department), a department of the state of Arizona, as listed in the table of contents, as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

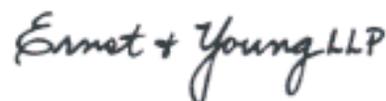
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the general purpose financial statements of the Department are intended to present the financial position and results of operations and the cash flows of its proprietary fund types of only that portion of the funds and account groups of the state of Arizona that is attributable to the transactions of the Department.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Arizona Department of Transportation, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 31 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin No. 98-1 as amended are not sufficiently specific to permit us to perform procedures that would provide meaningful results. In addition, we do not provide assurance that the Department is or will become year 2000 compliant, that the Department's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Department does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the financial section of the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



October 8, 1999, except for Note 13,  
as to which the date is November 16, 1999

Arizona Department of Transportation  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 1999  
 (With comparative totals at June 30, 1998)

	Governmental Fund Types			Proprietary Fund Type
	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>Assets and other debits</b>				
Assets:				
Cash and cash equivalents on deposit with the State Treasurer	\$ 388,083,287	\$ 32,541,511	\$ 18,770,317	\$ 3,221,552
Receivables (net of allowance for uncollectibles):				
Subscriptions	-	-	-	463,554
Notes and loans	19,872,561	-	-	-
Accrued interest	3,498,914	2,195,226	554,801	38,658
Taxes and fees	-	-	-	-
Other	9,498,053	-	-	123,519
Due from U.S. Government for reimbursable construction costs	44,110,269	-	-	-
Due from other Arizona Department of Transportation funds (Note 6)	106,459,635	-	5,875,596	-
Due from Arizona counties, cities and other state agencies	19,510,343	-	-	-
Inventories	3,781,392	-	-	2,815,194
Prepaid items	-	-	-	606,291
Fixed assets - net of accumulated depreciation (Note 7)	-	-	-	2,420,394
Other debits:				
Amount available in debt service funds for retirement of general long-term debt	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 594,814,454</b>	<b>\$ 34,736,737</b>	<b>\$ 25,200,714</b>	<b>\$ 9,689,162</b>

*The notes to the financial statements are an integral part of this statement.*

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
		Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt
\$ 5,330,106	\$ 102,373,703	\$ -	\$ -	\$ 550,320,476	\$ 521,356,669
-	-	-	-	463,554	185,854
-	-	-	-	19,872,561	15,335,744
43,107	472,646	-	-	6,803,352	8,885,657
-	165,884,710	-	-	165,884,710	136,304,460
87,503	555,167	-	-	10,264,242	7,264,089
-	1,865,536	-	-	45,975,805	31,047,913
1,775,347	45,670,690	-	-	159,781,268	114,628,380
20,254	376,534	-	-	19,907,131	18,710,907
2,560,838	-	-	-	9,157,424	9,392,775
-	-	-	-	606,291	321,228
35,321,018	-	191,511,390	-	229,252,802	222,340,667
-	-	-	34,736,737	34,736,737	27,965,269
-	-	-	1,231,428,357	1,231,428,357	1,239,003,546
<b>\$ 45,138,173</b>	<b>\$ 317,198,986</b>	<b>\$ 191,511,390</b>	<b>\$ 1,266,165,094</b>	<b>\$ 2,484,454,710</b>	<b>\$ 2,352,743,158</b>

Arizona Department of Transportation  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 1999  
 (With comparative totals at June 30, 1998)

	Governmental Fund Types			Proprietary Fund Type
	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>Liabilities, equity and other credits</b>				
Liabilities:				
Construction contracts payable	\$ 64,170,642	\$ -	\$ 8,463,402	\$ -
Accounts payable	24,642,881	-	6,772,019	246,241
Accrued payroll and other accrued expenditures/expenses	8,529,429	-	-	237,845
Due to other Arizona Department of Transportation funds (Note 6)	10,241,346	-	1,675,635	1,808
Due to Department of Public Safety	-	-	-	-
Due to Arizona counties, cities and other state agencies	253,972	-	-	-
Deferred revenue	-	-	-	4,257,611
Surety and rental deposits	-	-	-	-
Federal arbitrage rebate	1,356,397	-	-	-
Bonds payable (Note 9)	-	-	-	-
Contracts and capital leases payable (Note 9)	-	-	-	-
Long-term accrued vacation leave (Note 1)	-	-	-	-
Total liabilities	<u>109,194,667</u>	<u>-</u>	<u>16,911,056</u>	<u>4,743,505</u>
Equity and other credits:				
State Highway Fund contribution	-	-	-	1,538,698
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Reserved for replacement of equipment	-	-	-	-
Unreserved	-	-	-	3,406,959
Fund balances:				
Reserved for:				
Highway construction	223,429,128	34,736,737	8,289,658	-
Inventories	3,781,392	-	-	-
Unreserved, undesignated	258,409,267	-	-	-
Total equity and other credits	<u>485,619,787</u>	<u>34,736,737</u>	<u>8,289,658</u>	<u>4,945,657</u>
<b>Total liabilities, equity and other credits</b>	<b><u>\$ 594,814,454</u></b>	<b><u>\$ 34,736,737</u></b>	<b><u>\$ 25,200,714</u></b>	<b><u>\$ 9,689,162</u></b>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
		Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt
\$ -	\$ 1,961,246	\$ -	\$ -	\$ 74,595,290	\$ 47,622,529
563,025	6,148,773	-	-	38,372,939	28,216,000
908,896	-	-	-	9,676,170	9,197,316
-	147,862,479	-	-	159,781,268	114,628,380
-	1,692,500	-	-	1,692,500	1,562,500
-	151,770,235	-	-	152,024,207	122,933,879
-	-	-	-	4,257,611	4,366,877
-	2,109,581	-	-	2,109,581	2,287,641
-	-	-	-	1,356,397	-
-	-	-	1,257,491,710	1,257,491,710	1,257,155,705
-	-	-	443,175	443,175	1,908,665
-	-	-	8,230,209	8,230,209	7,904,445
<u>1,471,921</u>	<u>311,544,814</u>	<u>-</u>	<u>1,266,165,094</u>	<u>1,710,031,057</u>	<u>1,597,783,937</u>
6,106,640	-	-	-	7,645,338	8,145,338
-	-	191,511,390	-	191,511,390	182,505,056
9,985,210	-	-	-	9,985,210	9,985,210
27,574,402	-	-	-	30,981,361	31,539,758
-	5,654,172	-	-	272,109,695	67,319,438
-	-	-	-	3,781,392	4,249,661
-	-	-	-	258,409,267	451,214,760
<u>43,666,252</u>	<u>5,654,172</u>	<u>191,511,390</u>	<u>-</u>	<u>774,423,653</u>	<u>754,959,221</u>
<b><u>\$ 45,138,173</u></b>	<b><u>\$ 317,198,986</u></b>	<b><u>\$ 191,511,390</u></b>	<b><u>\$ 1,266,165,094</u></b>	<b><u>\$ 2,484,454,710</u></b>	<b><u>\$ 2,352,743,158</u></b>

Arizona Department of Transportation  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Funds  
 For the fiscal year ended June 30, 1999  
 (With comparative totals for the fiscal year ended June 30, 1998)

	Governmental Fund Types			Fiduciary	Totals	
	Special Revenue	Debt Service	Capital Projects	Fund Types	(Memorandum Only)	
				Expendable Trust	1999	1998
<b>Revenues:</b>						
Transportation excise tax	\$ 229,470,201	\$ -	\$ -	\$ -	\$ 229,470,201	\$ 192,518,877
Vehicle registration, title, license and related fees	250,120,838	-	-	-	250,120,838	210,369,491
Fuel and motor carrier taxes and fees	298,393,657	-	-	-	298,393,657	273,805,897
Reimbursements of construction expenditures - federal aid	354,209,698	-	-	17,747,416	371,957,114	263,846,604
Other federal grants and reimbursements	47,254,925	-	-	-	47,254,925	20,135,794
State match	24,794	-	-	-	24,794	-
Reimbursements from Arizona counties, cities and other state agencies	14,879,540	-	-	917,414	15,796,954	4,689,062
State appropriations	868,443	-	-	-	868,443	3,815,900
Interest on loans receivable	28,798	-	-	-	28,798	-
Interest	22,259,947	7,648,833	4,439,936	-	34,348,716	34,381,636
Other	27,912,195	-	71,525	233,225	28,216,945	30,967,590
Total revenues	<u>1,245,423,036</u>	<u>7,648,833</u>	<u>4,511,461</u>	<u>18,898,055</u>	<u>1,276,481,385</u>	<u>1,034,530,851</u>
<b>Expenditures:</b>						
Current:						
Transportation - appropriated by State legislature	240,049,735	-	-	-	240,049,735	235,571,745
Transportation - not appropriated by State legislature	18,698,801	-	-	-	18,698,801	11,294,362
Capital outlay:						
Highway construction	705,454,365	-	148,241,265	16,114,005	869,809,635	602,955,140
Land, buildings and improvements - appropriated by State legislature	11,488,854	-	-	-	11,488,854	12,810,323
Contracts and capital leases payable	282,248	-	-	-	282,248	537,526
Arizona Department of Public Safety distributions - appropriated by State legislature	12,500,000	-	-	-	12,500,000	15,000,000
Arizona Department of Emergency and Military Affairs distributions - appropriated by State legislature	-	-	-	-	-	800,000
Year 2000 computer projects	6,527,900	-	-	-	6,527,900	6,364,000
Debt service:						
Principal	-	150,570,000	-	-	150,570,000	126,170,000
Interest	-	74,341,597	-	-	74,341,597	73,777,474
Bond issuance cost	-	659,778	-	-	659,778	-
Federal arbitrage rebate	1,356,397	-	-	-	1,356,397	-
Distributions to Arizona counties, cities and other state agencies	32,854,388	-	-	-	32,854,388	38,817,595
Other	-	114,023	1,989	-	116,012	111,664
Total expenditures	<u>1,029,212,688</u>	<u>225,685,398</u>	<u>148,243,254</u>	<u>16,114,005</u>	<u>1,419,255,345</u>	<u>1,124,209,829</u>
Excess <deficiency> of revenues over <under> expenditures	216,210,348	<218,036,565>	<143,731,793>	2,784,050	<142,773,960>	<89,678,978>
<b>Other financing sources &lt;uses&gt;:</b>						
Proceeds from sale of bonds	-	-	152,572,363	-	152,572,363	-
Proceeds from refunding bonds	-	28,825,844	-	-	28,825,844	-
Payment to refunded bond escrow agent	-	<27,390,000>	-	-	<27,390,000>	-
Proceeds from contracts and capital leases payable	282,248	-	-	-	282,248	537,526
Operating transfers in	43,771,485	226,501,081	-	-	270,272,566	199,982,291
Operating transfers out:						
Debt service	<226,501,081>	-	-	-	<226,501,081>	<191,417,408>
Other	<40,062,960>	<3,128,892>	<550,912>	<28,721>	<43,771,485>	<8,564,883>
Total other financing sources <uses>	<u>&lt;222,510,308&gt;</u>	<u>224,808,033</u>	<u>152,021,451</u>	<u>&lt;28,721&gt;</u>	<u>154,290,455</u>	<u>537,526</u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses	<6,299,960>	6,771,468	8,289,658	2,755,329	11,516,495	<89,141,452>
Fund balances, July 1	491,919,747	27,965,269	-	2,898,843	522,783,859	611,925,311
<b>Fund balances, June 30</b>	<b>\$ 485,619,787</b>	<b>\$ 34,736,737</b>	<b>\$ 8,289,658</b>	<b>\$ 5,654,172</b>	<b>\$ 534,300,354</b>	<b>\$ 522,783,859</b>

The notes to the financial statements are an integral part of this statement.

Arizona Department of Transportation  
 Combined Statement of Revenues and Expenditures - Budget and Actual (Budget Basis)  
 Budgeted Special Revenue Funds  
 For the fiscal year ended June 30, 1999

	<b>Special Revenue Funds</b>		
	<b>Budget</b>	<b>Actual Non-GAAP</b>	<b>Variance - Favorable &lt;Unfavorable&gt;</b>
<b>Revenues:</b>			
Vehicle registration, title, license and related fees	\$ 239,754,500	\$ 208,093,913	\$ <31,660,587>
Fuel and motor carrier taxes and fees	282,716,300	285,062,844	2,346,544
Interest	2,249,500	2,249,440	<60>
Flight property tax	7,489,400	7,489,832	432
Grand Canyon Airport	1,052,300	1,052,368	68
Other	1,400	1,356	<44>
Total revenues	<u>533,263,400</u>	<u>503,949,753</u>	<u>&lt;29,313,647&gt;</u>
<b>Expenditures appropriated by State legislature in 1999 budget:</b>			
Transportation:			
Administration	45,427,600	44,536,442	891,158
Highway	41,911,700	41,080,938	830,762
Highway Maintenance	80,754,752	79,341,857	1,412,895
Motor Vehicle Division	69,809,400	67,865,562	1,943,838
Aeronautics Division	1,691,500	1,637,055	54,445
Air Quality Program	43,200	42,765	435
General Fund Program	81,400	65,978	15,422
Total transportation	<u>239,719,552</u>	<u>234,570,597</u>	<u>5,148,955</u>
Capital outlay - land, buildings and improvements:			
Highway	15,704,036	11,464,101	4,239,935
Aviation	46,900	46,900	-
Arizona Department of Public Safety transfers			
	12,500,000	12,500,000	-
Year 2000 Projects	6,527,900	6,527,900	-
<b>Expenditures appropriated by State legislature by carryover of previous years' unexpended budgets</b>			
	<u>1,061,581</u>	<u>496,088</u>	<u>565,493</u>
Total expenditures	<u>275,559,969</u>	<u>265,605,586</u>	<u>9,954,383</u>
<b>Excess of revenues over expenditures</b>	<u><b>\$ 257,703,431</b></u>	<u><b>\$ 238,344,167</b></u>	<u><b>\$ &lt;19,359,264&gt;</b></u>

*The notes to the financial statements are an integral part of this statement.*

Arizona Department of Transportation  
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings  
 All Proprietary Fund Types  
 For the fiscal year ended June 30, 1999  
 (With comparative totals for the fiscal year ended June 30, 1998)

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>	
	<b>Enterprise</b>	<b>Internal Service</b>	<b>1999</b>	<b>1998</b>
<b>Operating revenues:</b>				
Equipment rentals	\$ -	\$ 24,289,009	\$ 24,289,009	\$ 24,246,642
Warehouse supply billings	-	-	-	56,555
Equipment sales	-	165,711	165,711	227,707
Magazine sales	6,039,340	-	6,039,340	6,041,695
Sales of related products	4,269,466	-	4,269,466	4,443,666
Other	607,749	3,396,663	4,004,412	3,566,351
Total operating revenues	<u>10,916,555</u>	<u>27,851,383</u>	<u>38,767,938</u>	<u>38,582,616</u>
<b>Operating expenses:</b>				
Equipment operations	-	20,469,378	20,469,378	21,743,066
Warehouse operations	-	203	203	99,446
Cost of sales	10,133,092	-	10,133,092	9,664,662
General and administrative	1,225,226	-	1,225,226	1,251,233
Depreciation	358,265	6,663,738	7,022,003	6,749,123
Total operating expenses	<u>11,716,583</u>	<u>27,133,319</u>	<u>38,849,902</u>	<u>39,507,530</u>
Operating income <loss>	<800,028>	718,064	<81,964>	<924,914>
<b>Non-operating revenues &lt;expenses&gt;:</b>				
Interest	227,854	169,448	397,302	511,625
Loss on sale/disposal of fixed assets	<279,989>	<93,746>	<373,735>	<181,906>
Total non-operating revenues <expenses>	<u>&lt;52,135&gt;</u>	<u>75,702</u>	<u>23,567</u>	<u>329,719</u>
Income <loss> before Legislative transfer	<852,163>	793,766	<58,397>	<595,195>
Legislative transfer out	-	<500,000>	<500,000>	-
Net income <loss>	<852,163>	293,766	<558,397>	<595,195>
Retained earnings, July 1	4,259,122	37,265,846	41,524,968	42,120,163
<b>Retained earnings, June 30</b>	<u><u>\$ 3,406,959</u></u>	<u><u>\$ 37,559,612</u></u>	<u><u>\$ 40,966,571</u></u>	<u><u>\$ 41,524,968</u></u>

*The notes to the financial statements are an integral part of this statement.*

Arizona Department of Transportation  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the fiscal year ended June 30, 1999  
 (With comparative totals for the fiscal year ended June 30, 1998)

	<b>Proprietary Fund Types</b>		<b>Totals</b>	
	<b>(Memorandum Only)</b>			
	<b>Enterprise</b>	<b>Internal Service</b>	<b>1999</b>	<b>1998</b>
<b>Cash flows from operating activities:</b>				
Operating income <loss>	\$ <800,028>	\$ 718,064	\$ <81,964>	\$ <924,914>
Adjustments to reconcile operating income <loss> to net cash provided by <used for> operating activities:				
Depreciation	358,265	6,663,738	7,022,003	6,749,123
Changes in assets and liabilities:				
Due from other Arizona Department of Transportation funds	-	187,662	187,662	<229,610>
Due from other state agencies	-	93,910	93,910	29,510
Other receivables	9,330	39,519	48,849	<153,565>
Inventories	<43,299>	<189,619>	<232,918>	<143,144>
Prepaid expenses	<285,063>	-	<285,063>	<44,670>
Accounts payable	58,554	<239,063>	<180,509>	<52,369>
Accrued payroll and other accrued expenses	2,464	80,995	83,459	51,119
Due to other Arizona Department of Transportation funds	<503>	-	<503>	<23,998>
Deferred revenue	<109,266>	-	<109,266>	2,306
Net cash provided by <used for> operating activities	<u>&lt;809,546&gt;</u>	<u>7,355,206</u>	<u>6,545,660</u>	<u>5,259,788</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of fixed assets	<224,214>	<5,525,953>	<5,750,167>	<8,472,778>
Proceeds from sale of fixed assets	-	448,628	448,628	437,129
Reduction of contributed capital	<500,000>	-	<500,000>	-
Legislative transfer out	-	<500,000>	<500,000>	-
Net cash used for capital and related financing activities	<u>&lt;724,214&gt;</u>	<u>&lt;5,577,325&gt;</u>	<u>&lt;6,301,539&gt;</u>	<u>&lt;8,035,649&gt;</u>
<b>Cash flows from investing activities:</b>				
Interest	<u>275,238</u>	<u>185,430</u>	<u>460,668</u>	<u>503,250</u>
Net cash provided by investing activities	<u>275,238</u>	<u>185,430</u>	<u>460,668</u>	<u>503,250</u>
Net increase <decrease> in cash and cash equivalents	<1,258,522>	1,963,311	704,789	<2,272,611>
Cash and cash equivalents, July 1	<u>4,480,074</u>	<u>3,366,795</u>	<u>7,846,869</u>	<u>10,119,480</u>
<b>Cash and cash equivalents, June 30</b>	<b><u>\$ 3,221,552</u></b>	<b><u>\$ 5,330,106</u></b>	<b><u>\$ 8,551,658</u></b>	<b><u>\$ 7,846,869</u></b>

The notes to the financial statements are an integral part of this statement.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting entity*

The Arizona Department of Transportation (Department) is a department of the State of Arizona and is not legally separate. The Department has no component units. The Director of the Department serves as the Chief Administrative Officer and is directly responsible to the Governor. The Governor appoints a seven-member Transportation Board of the State of Arizona Department of Transportation (Transportation Board) which has responsibility for establishing a complete system of State highway routes and distributing monies for local airport facilities' projects through a grant program.

The Department is responsible for the construction and maintenance of all State highways. The Department cooperates with the various cities and counties within the State in the construction and maintenance of State roads and with the Federal Highway Administration in the construction and maintenance of interstate highways. Assistance in the development of local airports, registering motor vehicles and aircraft, licensing drivers and the publishing of the *Arizona Highways Magazine* are also responsibilities of the Department.

The Financial Services Division of the Arizona Department of Administration controls expenditures and adherence to annual budgets. The State Treasurer invests the cash balances of the Department.

The general purpose financial statements of the Department have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The more significant of the Department's accounting policies are described below.

*Fund accounting*

The accounts of the Department are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Department are grouped, in the financial statements, into six fund types and two account groups within four categories as follows:

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the Department's expendable financial resources and the related current liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds (special revenue, debt service, and capital projects). All governmental funds are accounted for using a current financial resources measurement focus.

Governmental funds are, in essence, accounting segregations of financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "Fund Balance."

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Special Revenue Funds - Special revenue funds, excluding the State Highway Fund, are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The State Highway Fund is used to account for all financial transactions applicable to the general operations of the Department, including road and bridge repairs, maintenance and construction, planning and development, engineering, and administration. Revenues are received from the following primary sources: fuel and motor carrier taxes and fees; vehicle registration, title, licenses and related fees; and Federal grants. Other special revenue funds of the Department include the State Aviation Fund, Safety Enforcement and Transportation Infrastructure Fund, Highway Expansion and Extension Loan Program Fund, Maricopa Regional Area Road Construction Fund, Motor Carrier Safety Revolving Fund, Motor Vehicle Liability Insurance Enforcement Fund, and Vehicle Inspection and Title Enforcement Fund.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Debt service funds include the Highway Improvement Bond Principal Redemption and Interest Fund which accounts for the State of Arizona highway improvement bonds and revenue bonds, and the Maricopa Regional Area Road Bond Fund which accounts for the State of Arizona transportation excise tax revenue bonds.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The capital

projects fund of the Department is the Maricopa Regional Area Road Bond Proceeds Fund, which accounts for the issuance and use of the proceeds from the State of Arizona Transportation Excise Tax Revenue Bonds.

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the Department's on-going organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the Department's business and quasi-business activities, where net income and capital maintenance are measured, are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position and cash flows.

Enterprise Fund - An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Department is that the costs (including depreciation) of providing goods and/or services to the general public on a continuing basis be financed from sales or other revenues. The only enterprise fund of the Department is the Arizona Highways Magazine Fund. The fund publishes a monthly magazine, *Arizona Highways Magazine*, as well as a number of books and sells several related products.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Department, or to other governments, on a cost-reimbursement basis. Internal service funds of the Department include the Equipment Revolving Fund and the Warehouse Revolving Fund.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Expendable trust funds are accounted for using a current financial resources measurement focus.

Trust and Agency Funds - These funds include expendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds and include the Local Agency Deposits Fund.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds of the Department include the Motor Vehicle Division Clearing Fund, Highway User Revenue Fund, Underground Storage Tank Fund, Highway Property Rentals 24 Percent Fund, Economic Strength Project Fund, and Privilege Tax Fund.

**ACCOUNT GROUPS**

Account groups are used to establish accounting control and accountability for the Department's general fixed assets and unmatured principal of its general long-term debt.

General Fixed Assets - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

General Long-Term Debt - Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

*Basis of accounting*

The modified accrual basis of accounting is used for all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. Reimbursements of construction expenditures, due primarily from the Federal government on a percentage of costs incurred basis, are recognized when the related obligation is incurred.

Those revenues susceptible to accrual are Federal grants, reimbursable county, city and other state agency construction costs incurred by the Department. Federal grant monies are received after the incurrence of qualifying expenditures. As a result, the Federal share of all qualifying goods or services received or performed prior to year-end has been accrued.

All proprietary funds are accounted for using the accrual basis of accounting. Under this basis, revenues are recorded when they are earned and expenses are recorded when incurred.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Budgets and budgetary accounting*

Biennial budgets for the operating expenditures and capital outlay including land, building and improvements for the State Highway Fund, Aviation Fund, Safety Enforcement and Transportation Infrastructure Fund, Air Quality and General Fund are submitted to the Governor in accordance with State law. The budgets are legally enacted as appropriations after approval by the Legislature and signature by the Governor. The legal level of control is at the division level and expenditure budgets are appropriated using a lump sum format with special line items. Expenditure details for personal services, employee related expenditures and all other operating expenditures are specifically budgeted within most divisions. In certain divisions, other specific programs are budgeted in addition to these categories. Revenue budgets are developed internally by the Department and are not a part of the appropriation process.

Amendments to the approved appropriations require Legislative approval. However, since the Department's appropriation is a lump sum appropriation by program, the allocation of funds between personal services, employee-related expenses, and other operating expenses is an internal decision for the program manager. Accordingly, transfers between line items such as personal services and other operating expenses within a particular program may be done by the program manager. Transfers of funds between programs require the approval of the Joint Legislative Budget Committee. Absent an amendment to the Department's appropriated amount by the full legislature, expenditures may not exceed appropriations.

All transfers of funds are reported to the Department's Office of Strategic Planning and Budgeting for monitoring purposes.

Budgets are prepared on the cash basis except that liabilities incurred before the end of the fiscal year and paid within the next calendar month are charged against the prior fiscal year's budget. Most State appropriations lapse at year-end.

For financial reporting purposes, the accompanying financial statements present the legally adopted budget for those operations subject to legislative appropriation.

A legal limitation is adopted for capital outlay including land, building and improvements for the State Highway Fund, Aviation Fund, and Safety Enforcement and Transportation Infrastructure Fund. Any balances and collections in these three funds in excess of the specific amounts appropriated in the general appropriations act are appropriated to the Department. The Department monitors expenditures through an internal budgetary process and the five-year construction program approved by the Transportation Board. A legal limitation is not adopted for the other special revenue funds, the debt service funds, capital projects funds, proprietary funds and fiduciary funds.

*Encumbrance accounting*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable fund balance, is used by the Department as a budgetary control mechanism. However, outstanding encumbrances lapse at year-end. Accordingly, no reserve for encumbrances is reflected in the accompanying financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Application of FASB pronouncements to proprietary activities*

The Department has elected, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989.

*Cash and cash equivalents*

The Department's cash and cash equivalents balance is on deposit with the State Treasurer for pooled investment purposes and is not evidenced by securities that exist in physical or book entry form in the Department's name. All investments are carried in the name of the State of Arizona. State statutes require the State Treasurer to invest these pooled funds in collateralized time certificates of deposit, repurchase agreements or obligations of the U.S. Government. All investments are carried at cost, which approximates fair value.

State statutes require the State Treasurer to maintain separate investment accounts for the portions of the highway bond proceeds fund relating to the highway revenue bond issues and the Maricopa Regional Area Road Bond Fund relating to the transportation excise tax revenue bond issues. These funds may be invested primarily in obligations of the U.S. Government.

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments (investments with original maturities of three months or less).

The Department's investments are included in the State investment pool and these investments are not shown in the Department's name. Therefore, the Department presents its equity in the internal pool as required in GASB Statement No. 31, *Accounting and*

*Financial Reporting for Certain Investments and for External Investment Pools.  
Inventories*

The State Highway Fund inventory is valued at cost, which approximates market, using the first-in, first-out (FIFO) method. This inventory is accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

Proprietary fund inventories are stated at the lower of cost or market. Cost of enterprise fund inventories consisting of resale products and supplies are generally determined by moving average cost and specific identification methods, respectively. Costs of internal service funds' inventories (consisting of vehicle parts and supplies, fuels and lubricants, and other supplies) are determined by moving average cost methods.

*Fixed assets*

General fixed assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the General Fixed Assets Account Group. Land is recorded primarily at cost. If cost is not determinable based on previously acquired property, estimated cost is used. Other general fixed assets are stated at either actual or estimated costs. Contributed fixed assets are recorded in the General Fixed Assets Account Group at estimated fair value on the date received. Public domain (infrastructure) general fixed assets consisting of roads and bridges are not capitalized, as these assets are immovable and of value only to the government. No depreciation is provided on general fixed assets.

Property and equipment of the proprietary funds are stated at cost, or estimated historical cost if original cost is not available; and, if donated, are stated at estimated fair value on the date received. Depreciation

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

is provided using the straight-line method based on  
estimated useful life as follows:

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Buildings	40 years
Buildings improvements	20 years
Furniture and fixtures	5 years
Mobile equipment	3-15 years
Shop tool, office and computer equipment and software	5 years

The cost of additions, improvements, and renewals which substantially extend the useful life of a particular asset are capitalized in the property accounts. Repairs and maintenance expenditures are charged to operations as incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are eliminated from the property accounts and any resultant gain or loss is recognized as revenue or loss.

*Bond premiums, discounts and issuance costs*

Premiums or discounts on bond issuances are netted against the bond proceeds in the capital projects fund. The bonds are recorded at their face value in the General Long-Term Debt Account Group, except in the case of Capital Appreciation bonds. These bonds are initially recorded net of their discount. The discount is amortized over the life of the issue using the effective interest method. All costs related to bond issuance are recorded as debt service expenditures in the appropriate fund as incurred.

*Deferred revenue*

Deferred revenue relates to unearned subscription income associated with the enterprise fund. Unearned subscription income is recorded when subscription orders are received and is amortized into income over the terms of the related subscriptions. Costs

associated with the procurement of subscriptions are expensed in the year incurred.

*Long-term obligations*

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group.

*Compensated absences*

Effective July 1, 1998, State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more with a maximum of 1,500 hours, upon retirement directly from State service. The benefit value is calculated by taking the State hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25 percent for 500 hours to a maximum of 50 percent for 1,500 hours. The maximum benefit value is \$30,000. The benefit is paid out in annual installments over three years. The Retiree Accumulated Sick Leave Fund is accounted for on the State's financial statements as an Expendable Trust Fund. As of June 30, 1999, Department employees had accumulated \$26,020,885 of nonvested unpaid sick leave.

Employees are allowed to accumulate up to 240 hours of vacation leave (320 hours for exempt employees) which is paid when vacation is taken or upon termination of employment at the individual's current rate of pay. An accrual for vacation leave has been made and the current portion is included under the caption "Accrued payroll and other accrued

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

expenditures/expenses.” For governmental funds, the portion of the vacation normally taken in the first

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

sixty days of the next fiscal year is recorded as a current liability. The amount of long-term accrued vested vacation leave recorded in the General Long-Term Debt Account Group represents that portion which is not expected to be liquidated with expendable available financial resources. For proprietary funds, all of the outstanding vacation accrual is recorded as a current liability.

*Fund equity*

Reserves represent those portions of fund equity not appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. There were no designated fund balances at June 30, 1999.

The Department has reserved \$9,985,210 of the Equipment Revolving Fund retained earnings. This reserve is comprised of \$7,829,167 for replacement of fleet equipment and \$2,156,043 for replacement of two airplanes.

*Administrative expenditures*

The Department renders certain services (primarily administrative services as trustee or agent) to counties and cities of Arizona as well as to other agencies of the State of Arizona, the costs of which are accounted for in the State Highway Fund, a special revenue fund. No charges are made for these services. The Department receives certain services (primarily claims processing and treasury services) without cost from other Arizona state agencies.

The Arizona Highways Magazine Fund provides promotional magazines to other Arizona state agencies without charge.

*Transactions between funds*

Transactions which would be treated as revenue, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements to a fund for expenditures or expenses initially made from that fund which are applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Nonrecurring or nonroutine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. Residual equity transfers to proprietary funds are treated as contributed capital, and such transfers from proprietary funds are reported as reductions of retained earnings or contributed capital as is appropriate in the circumstances. All other transactions are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Certain services, including accounting and investment services and claims, are furnished to certain funds by various other funds of the Department without charge.

Operations of the internal service funds are conducted in facilities recorded in the General Fixed Assets Account Group, the costs of which are accounted for in the State Highway Fund, a special revenue fund of the Department. The internal service funds pay the costs of repairs and maintenance of those facilities, but no rental charges are made to the funds for the use thereof.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Loan losses and revenue*

Each mortgage loan is analyzed on an individual basis to determine a reserve for loan losses based on delinquency. Interest revenue is recognized when received and is included under the caption "Interest revenue."

*Use of estimates*

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Memorandum and comparative totals*

Total columns for 1999 and 1998 included in the accompanying combined financial statements are captioned memorandum only to indicate they are presented only to facilitate financial analysis. The information in the columns is not intended to present financial position, results of operations or cash flows of its proprietary fund types in conformity with GAAP. This information is not comparable to a consolidation and interfund eliminations have not been made in the aggregation of the information.

*Reclassifications*

Certain 1998 amounts have been reclassified to conform to the 1999 presentation.

**NOTE 2. BUDGET BASIS OF ACCOUNTING**

The Department prepares its annual budget on a basis which differs from GAAP. The budget and the actual results of transactions are presented in accordance with the Department's method (budget basis) in the Combined Statement of Revenues and Expenditures - Budget and Actual (Budget Basis) - Budgeted Special Revenue Funds in order to provide a meaningful

comparison of actual results with the budget. The adjustments required to convert the revenues and expenditures for the budgeted special revenue funds from the GAAP basis to the budgetary basis consist of accrual to cash basis adjustments and the exclusion of funds not budgeted through legislative appropriation.

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

**NOTE 2. BUDGET BASIS OF ACCOUNTING (Continued)**

Adjustments necessary to convert the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 1999, on a GAAP basis to budget basis is as follows:

	<u>Special Revenue Funds</u>
<b>Excess &lt;deficiency&gt; of revenues and other financing sources over &lt;under&gt; expenditures and other financing uses — GAAP basis</b>	<u>\$ &lt;6,299,960&gt;</u>
<b>Basis differences</b>	
Net increase in accounts payable, accrued payroll and other accruals not recognized as expenditures on budget basis	2,458,189
Net increase in receivables related to fuel and motor carrier taxes and fees , vehicle registration, title, license, and related fees not recognized as revenue on budget basis	<u>&lt;53,186,179&gt;</u>
Total basis differences	<u>&lt;50,727,990&gt;</u>
<b>Perspective differences</b>	
Revenues and other financing sources not recognized on budget basis:	
Reimbursements of construction expenditures - federal aid	<354,209,698>
Other federal grants and reimbursements	<13,097,447>
Reimbursements from Arizona counties, cities, and other state agencies	<2,694,452>
State appropriations	<868,443>
Interest	<10,992,565>
Other	<16,774,282>
Proceeds from contracts and capital leases payable	<282,248>
Operating transfers in	<2,783,180>
Expenditures and other financing uses not recognized on budget basis:	
Transportation - not appropriated by State legislature	18,666,099
Capital outlay - highway construction	554,026,432
Capital outlay - contracts and capital leases payable	282,248
Distributions to Arizona counties, cities and other state agencies	25,715,577
Debt service transfer out	74,192,405
Other operating transfers out	39,142,131
Total perspective differences	<u>310,322,577</u>
<b>Entity differences</b>	
Less excess of revenues over expenditures for funds for which no annual budgets are prepared	<14,950,460>
<b>Excess of revenues over expenditures — budget basis</b>	<u>\$ 238,344,167</u>

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

**NOTE 2. BUDGET BASIS OF ACCOUNTING (Continued)**

Throughout the fiscal year, the Legislature may revise the budget. The following schedule reflects the original budgeted expenditures, subject to legislative limitations and cumulative revisions during the current fiscal year:

	Special Revenue Funds
Original Budget	\$266,459,547
Cumulative Revisions	9,100,422
Revised Budget	\$275,559,969

**NOTE 3. SECURITIES HELD IN LIEU OF RETENTION**

In accordance with Arizona law, a contractor may assign to the Department, in lieu of contract retention, time certificates of deposit in federally insured banks licensed by the State of Arizona or securities of the United States of America, the State of Arizona, its counties, municipalities and school districts or deposits in savings and loan institutions authorized to transact business in the State of Arizona. At June 30, 1999, the Trustee held assignment on

securities aggregating \$18,894,034, \$6,201,565 and \$29,327 in lieu of contractor retentions for construction in the special revenue funds, capital projects funds, and expendable trust funds, respectively. Additional securities aggregating \$210,059 were on deposit but not assigned to a specific project. These additional securities are not reflected in the accompanying financial statements.

**NOTE 4. RESTRICTION OF USE OF THE STATE HIGHWAY FUND CASH**

Effective July 1, 1981, State law required accumulation of at least 15 percent, which in fiscal year 1996 was modified to 12.6 percent, of the revenues allocated each year to the State Highway Fund (special revenue fund) from the Highway User Revenue Fund (agency fund) for the design, purchase of right-of-way or construction of controlled-access highways which are

included in the regional transportation plan of counties with populations in excess of 400,000 (Maricopa and Pima counties). At June 30, 1999, approximately \$61,700,000, including interest, of the fund balance was reserved representing such unspent monies.

**NOTE 5. NOTES RECEIVABLE**

Notes receivable represent real estate mortgage loans made to individuals purchasing homes previously owned by the Department for highway construction

purposes. The loans were made at a fixed rate and mature ten years from the date of origination.

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

<b>NOTE 6. INTERFUND RECEIVABLES AND PAYABLES</b>
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A summary of interfund receivables and payables at June 30, 1999, follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
<b>Special Revenue Funds:</b>		
State Highway Fund:		
Due from Highway User Revenue Fund for taxes and fees	\$ 97,617,821	\$ -
Other	5,862,433	4,360,583
Total State Highway Fund	<u>103,480,254</u>	<u>4,360,583</u>
State Aviation Fund	74,323	313
Safety Enforcement and Transportation Infrastructure Fund	120,863	1,094
Highway Expansion & Extension Loan Program Fund	500,000	-
Maricopa Regional Area Road Construction Fund	2,092,211	5,875,797
Motor Vehicle Liability Insurance Enforcement Fund	104,054	2,622
Vehicle Inspection and Title Enforcement Fund	<u>87,930</u>	<u>937</u>
Total Special Revenue Funds	<u>106,459,635</u>	<u>10,241,346</u>
<b>Capital Projects Fund:</b>		
Maricopa Regional Area Road Bond Proceeds Fund	5,875,596	1,675,635
<b>Enterprise Fund:</b>		
Arizona Highways Magazine Fund	-	1,808
<b>Internal Service Funds:</b>		
Equipment Revolving Fund	1,775,347	-
<b>Agency Funds:</b>		
Motor Vehicle Division Clearing Fund	27,420	50,217,237
Highway User Revenue Fund	42,288,533	97,645,242
Underground Storage Tank Fund	3,354,737	-
Total Agency Funds	<u>45,670,690</u>	<u>147,862,479</u>
<b>Total All Funds</b>	<b><u>\$ 159,781,268</u></b>	<b><u>\$ 159,781,268</u></b>

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

**NOTE 7. FIXED ASSETS**

A summary of changes in general fixed assets follows:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 1999</u>
Land	\$ 8,657,685	\$ 2,205,387	\$ -	\$ 10,863,072
Buildings and improvements	102,113,393	7,994,527	-	110,107,920
Improvements other than buildings	30,143,274	1,003,986	<61,000>	31,086,260
Machinery and equipment	41,590,704	4,536,897	<6,673,463>	39,454,138
<b>Total General Fixed Assets</b>	<b>\$ 182,505,056</b>	<b>\$ 15,740,797</b>	<b>\$ &lt;6,734,463&gt;</b>	<b>\$ 191,511,390</b>

A summary of proprietary fund fixed assets at June 30, 1999, follows:

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
Land	\$ 7,900	\$ -
Buildings	981,157	-
Furniture and fixtures	333,760	-
Shop tools, office and computer equipment and software	2,861,893	2,297,446
Mobile equipment	10,059	95,508,796
	4,194,769	97,806,242
Less accumulated depreciation	<1,774,375>	<62,485,224>
<b>Total Proprietary Fund Fixed Assets</b>	<b>\$ 2,420,394</b>	<b>\$ 35,321,018</b>

**NOTE 8. FUND EQUITY**

Fund equity for the proprietary funds consists of the following:

**Enterprise Fund:**

	Arizona Highways Magazine Fund			
	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Totals</u>	
			1999	1998
Balance, July 1, 1998	\$ 2,038,698	\$ 4,259,122	\$ 6,297,820	\$ 6,186,887
Reduction of contributed capital	<500,000>	-	<500,000>	-
Net <loss> income	-	<852,163>	<852,163>	110,933
Balance, June 30, 1999	<u>\$ 1,538,698</u>	<u>\$ 3,406,959</u>	<u>\$ 4,945,657</u>	<u>\$ 6,297,820</u>

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

**NOTE 8. FUNDEQUITY (Continued)**

**Internal Service Funds:**

	Equipment Revolving Fund			Total Fund Equity
	Contributed Capital	Reserved Retained Earnings	Unreserved Retained Earnings	
Balance, July 1, 1998	\$ 5,793,237	\$ 9,985,210	\$ 27,350,542	\$ 43,128,989
Net income	-	-	277,499	277,499
Balance, June 30, 1999	<u>\$ 5,793,237</u>	<u>\$ 9,985,210</u>	<u>\$ 27,628,041</u>	<u>\$ 43,406,488</u>

	Warehouse Revolving Fund		
	Contributed Capital	Retained Earnings	Total Fund Equity
Balance, July 1, 1998	\$ 313,403	\$ <69,906>	\$ 243,497
Net income	-	16,267	16,267
Balance, June 30, 1999	<u>\$ 313,403</u>	<u>\$ &lt;53,639&gt;</u>	<u>\$ 259,764</u>

	Totals	
	Internal Service Funds	
	1999	1998
Balance, July 1, 1998	\$ 43,372,486	\$ 44,078,614
Net income <loss>	293,766	<706,128>
Balance, June 30, 1999	<u>\$ 43,666,252</u>	<u>\$ 43,372,486</u>

Arizona Revised Statutes, Section 28-7315, established an Arizona Highways Magazine Fund. The Fund consists of monies appropriated by the Legislature from the State Highway Fund, a special revenue fund, not to exceed \$500,000 annually, in addition to all Arizona Highways Magazine revenues received less expenses. The balance of contributed

capital represents contributions from the State Highway Fund of \$38,698 and \$2,000,000 during 1991 and 1990, respectively less a reduction of \$500,000 in the current fiscal year. Balances remaining in the Fund at the end of the fiscal year do not revert to the State of Arizona General Fund or the State Highway Fund.

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

**NOTE 9. GENERAL LONG-TERM DEBT**

The following is a summary of changes in general long-term debt for the fiscal year ended June 30, 1999:

	<b>Balance July 1, 1998</b>	<b>Additions</b>	<b>Retirements</b>	<b>Amortization of Discount</b>	<b>Balance June 30, 1999</b>
Bonds:					
Highway Revenue Bonds:					
1990	\$ 25,985,000	\$ -	\$ 8,425,000	\$ -	\$ 17,560,000
1991 Series A, Subordinated	21,905,000	-	-	-	21,905,000
1992 Series A, Subordinated, Refunding	71,395,000	-	22,430,000	-	48,965,000
1992 Series B, Subordinated	36,560,000	-	-	-	36,560,000
1993 Series, Refunding	137,280,000	-	1,470,000	-	135,810,000
1993 Series A, Subordinated, Refunding	240,025,000	-	11,480,000	-	228,545,000
1993 Series B, Subordinated, Refunding	35,000,000	-	-	-	35,000,000
Transportation Excise Tax Revenue Bonds					
1988 Series A, Capital Appreciation	50,135,705	-	-	3,751,005	53,886,710
1989 Series A, Subordinated	76,710,000	-	51,090,000	-	25,620,000
1991 Series A	13,100,000	-	4,100,000	-	9,000,000
1992 Series A, Refunding	181,700,000	-	16,515,000	-	165,185,000
1992 Series B	18,600,000	-	2,265,000	-	16,335,000
1993 Series, Subordinated Refunding	138,795,000	-	8,200,000	-	130,595,000
1995 Series A, Subordinated	103,285,000	-	12,645,000	-	90,640,000
1995 Series B, Subordinated, Refunding	106,680,000	-	20,240,000	-	86,440,000
1998 Series A	-	174,545,000	19,100,000	-	155,445,000
Total Bonds Payable	1,257,155,705	174,545,000	177,960,000	3,751,005	1,257,491,710
Other long-term liabilities:					
Contracts and capital leases payable	1,908,665	282,248	1,747,738	-	443,175
Long-term accrued vacation leave	7,904,445	325,764	-	-	8,230,209
<b>Total General Long-Term Debt</b>	<b>\$ 1,266,968,815</b>	<b>\$ 175,153,012</b>	<b>\$ 179,707,738</b>	<b>\$ 3,751,005</b>	<b>\$ 1,266,165,094</b>

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

**NOTE 9. GENERAL LONG-TERM DEBT (Continued)**

*Bonds payable*

Bonds payable are due in varying annual principal amounts plus varying semiannual interest amounts, except for the 1988 Series A Capital Appreciation Bonds which are due in annual installments of

\$21,500,000 in 2002 through 2004 with the balance of \$8,500,000 due in 2005. Bonds payable at June 30, 1999, are comprised of the following individual issues:

<u>Issue</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Balance at June 30, 1999</u>
<b>State of Arizona Highway Revenue Bonds:</b>			
1990	6.8%	7/1/01	\$ 17,560,000
1991 Series A, Subordinated	6.3% - 8.8%	7/1/04	21,905,000
1992 Series A, Subordinated, Refunding	6.0% - 6.1%	7/1/01	48,965,000
1992 Series B, Subordinated	6.1% - 8.0%	7/1/06	36,560,000
1993 Series, Refunding	4.7% - 5.3%	7/1/09	135,810,000
1993 Series A, Subordinated, Refunding	4.2% - 6.0%	7/1/11	228,545,000
1993 Series B, Subordinated, Refunding	5.1% - 6.0%	7/1/11	<u>35,000,000</u>
Total Highway Revenue Bonds			<u>524,345,000</u>
<b>State of Arizona Transportation Excise Tax Revenue Bonds:</b>			
1988 Series A Capital Appreciation Bonds (maturity value of \$73,000,000)	7.3% - 7.5%	7/1/05	53,886,710
1989 Series A, Subordinated	7.0%	7/1/00	25,620,000
1991 Series A	6.0% - 6.1%	7/1/01	9,000,000
1992 Series A, Refunding	5.2% - 5.8%	7/1/05	165,185,000
1992 Series B	5.2% - 5.8%	7/1/05	16,335,000
1993 Series, Subordinated, Refunding	4.2% - 5.6%	7/1/05	130,595,000
1995 Series A, Subordinated	4.5% - 6.5%	7/1/05	90,640,000
1995 Series B, Subordinated, Refunding	4.4% - 6.5%	7/1/05	86,440,000
1998 Series A	3.9% - 5.0%	7/1/05	<u>155,445,000</u>
Total Transportation Excise Tax Revenue Bonds			<u>733,146,710</u>
<b>Total Bonds Payable</b>			<u>\$ 1,257,491,710</u>

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes of the State Highway Fund, a special revenue fund. Arizona Revised Statutes prohibit the

total principal amount of Arizona Highway Revenue Bonds, excluding refunded bonds, from exceeding \$800,000,000.

**NOTE 9. GENERAL LONG-TERM DEBT (Continued)**

The Transportation Excise Tax Revenue Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County.

Bonds aggregating \$405,800,000 (\$240,585,000 of Highway Revenue Bonds and \$165,215,000 of Transportation Excise Tax Revenue Bonds, respectively) are subject to redemption prior to their maturity dates, at the option of the Transportation Board, in whole at any time, or in part at various interest payment dates. These bonds may be redeemed at various redemption prices ranging from 100 percent to 102 percent of principal, plus accrued interest to the date fixed for redemption. Bonds aggregating \$870,805,000 are not subject to redemption prior to maturity.

The Bond Resolution adopted by the Transportation Board on July 25, 1986, established a debt service reserve requirement equal to the maximum annual interest due in the current year or future years on any series of outstanding Transportation Excise Tax Revenue Bonds. The Second Supplemental Transportation Excise Tax Revenue Bond Resolution adopted by the Transportation Board on September 22, 1988, gives the Transportation Board the option, which it has elected, of acquiring debt service reserve insurance policies in lieu of the debt service reserve requirement. Accordingly, no debt service reserve is reflected in the accompanying financial statements. The policies (aggregating \$70,063,698 at June 30, 1999) were issued by Financial Guaranty Insurance Company, except for the 1989 Series A Subordinated Bonds and the 1993 Series Subordinated Bonds policies, which were issued by MBIA Insurance Corporation, and the 1995 Series A and Series B Subordinated Bonds policies which were issued by AMBAC Assurance Corporation. These policies are noncancelable and insure payment, up to the policy amount, of the bond interest on their

respective payment dates. The policies shall terminate on the earlier of July 1, 2005, or the date when no respective bonds are outstanding under the bond resolution. The premiums on these insurance policies are recorded as expenditures in the year of payment.

The carrying basis of the 1988 Series A Capital Appreciation Bonds increases as a result of accretion of the original issuance discount. At June 30, 1999, the carrying basis was \$53,886,710. At maturity on July 1, 2005, the carrying basis will equal the maturity amount of \$73,000,000.

On July 16, 1998, the Department issued \$174,545,000 in Transportation Excise Tax Revenue Bonds (1998 Series A) to (i) advance refund portions of the Transportation Board's outstanding Subordinated Bonds, (ii) finance the acquisition of land and the design and construction of certain controlled access highways within Maricopa County, Arizona and (iii) pay costs of issuing the 1998 Series Bonds. The 1998 Series A Bonds are due July 1, 1999 through 2005.

Net proceeds totaled \$177,826,259 (after receipt of \$4,359,207 of reoffering premium and payment of \$1,077,948 in underwriting fees). Net proceeds of \$28,713,866 were used to advance refund \$27,390,000 of the 1989 Series A, Subordinated Transportation Excise Tax Revenue Bonds (Refunded Bonds). State and Local Government securities were purchased with these proceeds and were deposited in an irrevocable trust with an escrow agent to provide for the partial future debt service payments on the above-referenced bonds. As a result, the Refunded Bonds will be considered defeased and the liability for these bonds will be removed from the General Long-Term Debt Account Group. The Department advance refunded the Refunded Bonds to reduce its total debt service payments over the next three years by \$737,678 and to obtain an economic gain (difference between the present values of the debt

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

**NOTE 9. GENERAL LONG-TERM DEBT (Continued)**

service payments on the old and new debt) of \$711,337.

Future debt service requirements of bonds outstanding at June 30, 1999, are as follows:

Fiscal Year	Highway Revenue Bonds		Transportation Excise Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2000	\$ 45,730,000	\$ 28,672,710	\$ 111,810,000	\$ 36,430,161	\$ 157,540,000	\$ 65,102,871
2001	47,665,000	26,049,996	108,365,000	30,334,143	156,030,000	56,384,139
2002	33,340,000	23,279,078	124,400,000	24,837,253	157,740,000	48,116,331
2003	34,950,000	21,656,768	130,135,000	19,106,893	165,085,000	40,763,661
2004	37,090,000	19,516,190	135,675,000	13,564,910	172,765,000	33,081,100
2005	39,305,000	17,306,544	141,875,000	7,364,226	181,180,000	24,670,770
2006	41,505,000	15,102,204	-	-	41,505,000	15,102,204
2007	43,840,000	12,770,796	-	-	43,840,000	12,770,796
2008	46,035,000	10,575,076	-	-	46,035,000	10,575,076
2009	48,680,000	7,936,164	-	-	48,680,000	7,936,164
2010	51,685,000	5,458,950	-	-	51,685,000	5,458,950
2011	54,520,000	2,624,700	-	-	54,520,000	2,624,700
	<u>\$ 524,345,000</u>	<u>\$ 190,949,176</u>	<u>\$ 752,260,000</u>	<u>\$ 131,637,586</u>	<u>\$ 1,276,605,000</u>	<u>\$ 322,586,762</u>

*Refunding bonds*

In prior years, the Transportation Board refinanced various bond issues through advance refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities

which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the financial statements of the Department.

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

**NOTE 9. GENERAL LONG-TERM DEBT (Continued)**

Refunded bonds of the Department outstanding at June 30, 1999, are as follows:

<u>Original Issue Date</u>	<u>Type</u>	<u>Balance Outstanding</u>
1986	Highway Revenue Bonds	\$ 48,275,000
1987	Highway Revenue Bonds	32,170,000
1990	Highway Revenue Bonds	141,260,000
1991 Series A, Subordinated	Highway Revenue Bonds	149,235,000
1992 Series B, Subordinated	Highway Revenue Bonds	52,350,000
1986 Series A	Transportation Excise Tax Revenue Bonds	32,255,000
1987 Series A	Transportation Excise Tax Revenue Bonds	43,300,000
1988 Series A:		
Current Interest	Transportation Excise Tax Revenue Bonds	96,290,000
Capital Appreciation	Transportation Excise Tax Revenue Bonds	8,357,596
1989 Series A, Subordinated	Transportation Excise Tax Revenue Bonds	153,855,000
1991 Series A	Transportation Excise Tax Revenue Bonds	19,645,000
<b>Total refunded bonds outstanding</b>		<b><u>\$ 776,992,596</u></b>

*Contracts and capital leases payable*

Data processing and other equipment totaling \$624,758 acquired through purchase contracts are recorded in the General Fixed Assets Account Group. Payments are due in monthly installments through February 2003 with interest rates ranging from 5.19 percent to 12.41 percent.

In November 1995, the Department entered into a capital lease to acquire a new central processing unit for \$4.1 million. The terms of the lease provide for a three year lease with a two year lease extension. This lease was terminated in December 1998. At June 30, 1999, remaining annual fiscal payments for the purchase contracts were as follows:

2000	\$	117,338
2001		112,439
2002		107,376
2003		88,352
2004		17,670
<b>Total outstanding</b>	<b><u>\$</u></b>	<b><u>443,175</u></b>

**NOTE 10. OPERATING LEASES**

The Department leases data processing and other equipment and certain facilities from various lessors. The principal leases are for a one-year term, renewable annually. Total rental expenditures (excluding interfund transactions) for the year ended June 30, 1999, approximated \$3,625,000.

Various funds also rent mobile equipment from the Equipment Revolving Fund on an as-needed basis. Rental expense/expenditure for mobile equipment for the year ended June 30, 1999, is as follows:

State Highway Fund	\$ 24,146,541
Arizona Highways Magazine Fund	24,439
Other	118,029
<b>Total operating leases</b>	<b><u>\$ 24,289,009</u></b>

**NOTE 11. RETIREMENT PLANS**

The Arizona State Retirement System Board administers the Arizona State Retirement Plan (Plan), a cost sharing multi-employer defined benefit pension plan, for the benefit of Arizona employees and employees of certain other governmental entities. Plan provisions, including death, disability, and retirement benefits, are established by State statute. Substantially all employees of the Department are covered by the Plan.

Central Avenue, P. O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

The Arizona State Retirement System (System) issues a Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North

Arizona Revised Statutes provide statutory authority for employee and employer contributions. The employee and employer contribution rate for the year ended June 30, 1999, was computed to be 3.34 percent of covered payroll by an actuarial valuation performed at June 30, 1997. Contributions for the years ended June 30, 1997, 1998 and 1999 were \$4,600,690, \$4,668,911 and \$4,705,156, respectively for both the employees and the Department, which were equal to the required contributions for each year.

**NOTE 12. CONTINGENT LIABILITIES**

*Risk management insurance losses*

The Department is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department is a participant in the State's self-insurance program,

and, in the opinion of the Department's management, any unfavorable outcomes from these claims and actions would be covered by the self-insurance program. Accordingly, the Department has no risk of loss beyond adjustments to future years' premium

**NOTE 12. CONTINGENT LIABILITIES (Continued)**

payments to the State's self-insurance program. All estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the State of Arizona's Comprehensive Annual Financial Report.

*Grants*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

*Claims*

The Department has a variety of claims pending against it that arose during the normal course of its activities. Management of the Department believes, based on the advice of legal counsel, that losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the Department's fund types.

On August 5, 1999, in *Hurley Trucking Co., Inc. v. State*, the Tax Court of the State ruled in favor of a refund claim for motor vehicle use fuel (diesel) taxes and motor carrier taxes (based on vehicle weight and

mileage) paid to the State (the "Disputed Revenues"). Several trucking companies have additionally filed refund claims. The claimants assert that the applicable statutes at the time did not permit the State to collect Disputed Revenues for certain tax years prior to 1997 relating to travel on state maintained roads crossing Federal lands. The Arizona Legislature subsequently clarified the statutes in 1997. The State filed its notice of appeal to the Arizona Court of Appeals on September 3, 1999. The Department disputes the claimants' interpretation of the applicable statutes and intends to assert a vigorous defense. However, if the plaintiff in the *Hurley* case were to prevail, the maximum potential amount of the claim is difficult to predict with certainty because the amount of each claim would vary based on the nature of the actual roads used and mileage of each claimant. If the plaintiff were to prevail on both counts and all existing claimants were to receive a lump sum payment in a single fiscal year, the Department does not believe that the maximum potential payment from the Arizona Highway User Revenue Fund would reduce the amount of State Highway Fund revenues by more than ten percent (10%) for the single fiscal year in which such payments were made.

*Commitments under construction contracts*

The Department's outstanding commitments under construction contracts were approximately \$754,710,000 at June 30, 1999.

**NOTE 13. SUBSEQUENT EVENTS**

On July 21, 1999, the Department issued \$124,695,000 in Transportation Excise Tax Revenue Bonds (1999 Series) to (i) advance refund portions of the Transportation Board's outstanding Senior Bonds, (ii)

finance the acquisition of land and the design and construction of certain controlled access highways within Maricopa County, Arizona and (iii) pay costs

Arizona Department of Transportation  
Notes to Financial Statements (Continued)  
June 30, 1999

of issuing the 1999 Series Bonds. The 1999 Series Bonds are due July 1, 2000 through 2005.

Net proceeds totaled \$26,690,457 (after receipt of \$2,112,418 of reoffering premium and payment of

<b>NOTE 13. SUBSEQUENT EVENTS (Continued)</b>
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\$116,961 in underwriting fees). Net proceeds of \$4,711,545 were used to advance refund \$4,640,000 of the 1991 Series A, Senior Transportation Excise Tax Revenue Bonds (Refunded Bonds). State and Local Government securities were purchased with these proceeds and were deposited in an irrevocable trust with an escrow agent to provide for the partial future debt service payments on the above-referenced bonds. As a result, the Refunded Bonds will be considered defeased and the liability for these bonds will be removed from the General Long-Term Debt Account Group. The Department advance refunded the Refunded Bonds to reduce its total debt service payments over the next two years by \$57,463 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$55,927.

On November 16, 1999, the Department issued \$151,080,000 in Highway Revenue Bonds (Series 1999) to (i) finance portions of the Transportation Board's five year capital program, (ii) advance refund portions of the Transportation Board's outstanding Senior

Bonds and Subordinated Bonds and (iii) pay costs of issuing the 1999 Series Bonds. The 1999 Series Bonds are due July 1, 2001 through 2019.

Net proceeds totaled \$151,926,437 (after receipt of \$1,781,810 of reoffering premium and payment of \$935,373 in underwriting fees). Net proceeds of \$21,408,821 were used to advance refund \$9,065,000 of the Senior Series 1990 Bonds and \$11,410,000 of the Subordinated 1991 Series A Bonds. State and Local Government securities were purchased with these proceeds and were deposited in an irrevocable trust with an escrow agent to provide for the partial future debt service payments on the above-referenced bonds. As a result, the Refunded Bonds will be considered defeased and the liability for these bonds will be removed from the General Long-Term Debt Account Group. The Department advance refunded the Refunded Bonds to reduce its total debt service payments over the next three years by \$491,359 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$407,420.

**Year 2000 Issue**

The Department is working to resolve the potential impact of the Year 2000 issue as it relates to the ability of the Department's computerized information systems to accurately process information that may be date-sensitive. Any of the Department's programs that recognize a date using "00" as the year 1900 rather than the year 2000 could result in errors or system failures. The Department utilizes a number of computer programs across its entire operations. To address its Year 2000 issue, the Department has determined the following stages are necessary to complete its Year 2000 project: awareness, assessment, remediation, and validation/testing. The Department has completed the awareness and assessment stages and is close to completing the remediation stage. Most of the financial systems have completed the validation/testing stage. The Department presently believes that, with modifications to existing software and conversions to new software, the Year 2000 issue will not pose significant operational problems for its computer systems.

The Department currently estimates the costs of becoming Year 2000 compliant will not be material and will not have a material adverse financial risk. To assure that this does not occur, the Department plans to devote all resources required to resolve any significant Year 2000 issue in a timely manner. The costs of the project and the timing of the Department's completion of its Year 2000 project are based on management's best estimates, which are derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes and similar uncertainties.

# Special Revenue Funds

**The State Highway Fund** is used to account for all financial transactions applicable to the general operations of the Department. The fund receives money from the Highway User Revenue Fund for vehicle registration, title, license and related fees and fuel and motor carrier taxes. Reimbursements for certain construction expenditures are received from the Federal government, Arizona cities and counties, and other state agencies. The fund also receives interest and other revenues. The fund disburses money primarily for the engineering, construction, improvement and maintenance of state highways, parts of highways forming state routes and highways under cooperative agreements with the United States.

**The State Aviation Fund** is appropriated by the legislature and receives monies from aviation gasoline taxes, sale of abandoned or seized aircraft, flight property taxes and the operation of certain airports. The State Aviation Fund monies are used to build and maintain airport facilities.

**The Safety Enforcement and Transportation Infrastructure Fund** is appropriated by the legislature and receives monies from the registration of vehicles of nonresidents for enforcement of vehicle safety requirements, maintenance of transportation facilities and upgrades of transportation facilities, including roads, streets, and highways, approved by the Transportation Board within twenty-five miles of the border between Arizona and Mexico.

**The Highway Expansion and Extension Loan Program Fund** is an innovative financing mechanism to administer funds designated to provide loan and credit enhancement assistance to sponsors of local transportation projects. **The Maricopa Regional Area Road Construction Fund** receives Maricopa County transportation excise tax monies collected by the Department of Revenue. These are used for the construction of state highways within Maricopa County.

**The Motor Carrier Safety Revolving Fund** receives fees to administer and enforce the rules governing the safety operations of motor carriers, shippers and vehicle transporting hazardous materials, substances or wastes. **The Motor Vehicle Liability Insurance Enforcement Fund** receives fees and interest to administer the Mandatory Liability Insurance Program.

**The Vehicle Inspection and Title Enforcement Fund** are monies for continuing appropriation to be use defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues.

Arizona Department of Transportation  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 1999  
(With comparative totals at June 30, 1998)

	<u>Budgeted</u>				
	<u>State Highway Fund</u>	<u>State Aviation Fund</u>	<u>Safety Enforcement and Transportation Infrastructure Fund</u>	<u>Highway Expansion and Extension Loan Program Fund</u>	<u>Maricopa Regional Area Road Construction Fund</u>
<b>Assets</b>					
Cash and cash equivalents on deposit with the State Treasurer	\$ 212,960,362	\$ 27,089,438	\$ 3,435,079	\$ 37,600,370	\$ 106,024,818
Receivables:					
Notes and loans	-	6,174,211	-	7,796,171	5,902,179
Accrued interest	1,915,867	414,017	25,527	420,050	723,453
Other	8,166,891	422,473	-	-	837,648
Due from U.S. Government for reimbursable construction costs	42,356,808	-	-	-	1,753,461
Due from other Arizona Department of Transportation funds	103,480,254	74,323	120,863	500,000	2,092,211
Due from Arizona counties, cities and other state agencies	-	-	-	-	19,510,343
Inventories	<u>3,781,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 372,661,574</u></b>	<b><u>\$ 34,174,462</u></b>	<b><u>\$ 3,581,469</u></b>	<b><u>\$ 46,316,591</u></b>	<b><u>\$ 136,844,113</u></b>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Construction contracts payable	\$ 52,932,589	\$ -	\$ -	\$ -	\$ 11,238,053
Accounts payable	20,569,810	869,960	78,861	-	2,982,940
Accrued payroll and other accrued expenditures	8,423,376	61,118	6,591	-	5,005
Federal arbitrage rebate	-	-	-	-	1,356,397
Due to other Arizona Department of Transportation funds	4,360,583	313	1,094	-	5,875,797
Due to Arizona counties, cities and other state agencies	<u>253,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>86,540,330</u></b>	<b><u>931,391</u></b>	<b><u>86,546</u></b>	<b><u>-</u></b>	<b><u>21,458,192</u></b>
<b>Fund balances:</b>					
Reserved for highway construction	61,726,616	-	-	46,316,591	115,385,921
Reserved for inventories	3,781,392	-	-	-	-
Unreserved, undesignated	<u>220,613,236</u>	<u>33,243,071</u>	<u>3,494,923</u>	<u>-</u>	<u>-</u>
<b>Total fund balances</b>	<b><u>286,121,244</u></b>	<b><u>33,243,071</u></b>	<b><u>3,494,923</u></b>	<b><u>46,316,591</u></b>	<b><u>115,385,921</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 372,661,574</u></b>	<b><u>\$ 34,174,462</u></b>	<b><u>\$ 3,581,469</u></b>	<b><u>\$ 46,316,591</u></b>	<b><u>\$ 136,844,113</u></b>

Motor Carrier Safety Revolving Fund	Motor Vehicle Liability Insurance Enforcement Fund	Vehicle Inspection and Title Enforcement Fund	Totals	
			1999	1998
			\$ 76,394	\$ 388,826
-	-	-	19,872,561	15,335,744
-	-	-	3,498,914	5,543,277
-	71,041	-	9,498,053	6,086,061
-	-	-	44,110,269	28,756,975
-	104,054	87,930	106,459,635	79,016,288
-	-	-	19,510,343	18,107,227
-	-	-	3,781,392	4,249,661
<b>\$ 76,394</b>	<b>\$ 563,921</b>	<b>\$ 595,930</b>	<b>\$ 594,814,454</b>	<b>\$ 570,688,386</b>
\$ -	\$ -	\$ -	\$ 64,170,642	\$ 44,873,314
-	54,184	87,126	24,642,881	21,194,028
1,281	-	32,058	8,529,429	8,134,034
-	-	-	1,356,397	-
-	2,622	937	10,241,346	2,718,189
-	-	-	253,972	1,849,074
1,281	56,806	120,121	109,194,667	78,768,639
-	-	-	223,429,128	182,661,840
-	-	-	3,781,392	4,249,661
75,113	507,115	475,809	258,409,267	305,008,246
75,113	507,115	475,809	485,619,787	491,919,747
<b>\$ 76,394</b>	<b>\$ 563,921</b>	<b>\$ 595,930</b>	<b>\$ 594,814,454</b>	<b>\$ 570,688,386</b>

Arizona Department of Transportation  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the fiscal year ended June 30, 1999  
(With comparative totals for the fiscal year ended June 30, 1998)

	<u>Budgeted</u>				
	<u>State Highway Fund</u>	<u>State Aviation Fund</u>	<u>Safety Enforcement and Transportation Infrastructure Fund</u>	<u>Highway Expansion and Extension Loan Program Fund</u>	<u>Maricopa Regional Area Road Construction Fund</u>
<b>Revenues:</b>					
Transportation excise tax	\$ -	\$ -	\$ -	\$ -	\$ 229,470,201
Vehicle registration, title, license and related fees	242,091,224	2,582,594	3,370,803	-	-
Fuel and motor carrier taxes and fees	297,803,534	590,123	-	-	-
Reimbursement of construction expenditures - federal aid	354,209,698	-	-	-	-
Other federal grants and reimbursements	6,819,799	6,277,648	-	5,567,176	28,590,302
State match	-	-	-	24,794	-
Reimbursements from Arizona counties, cities and other state agencies	2,694,452	-	-	-	12,185,088
State appropriations	868,443	-	-	-	-
Distributions from agency funds	-	-	-	-	-
Interest on loans receivable	-	-	-	28,798	-
Interest	10,992,565	2,025,514	105,002	2,661,772	6,475,094
Flight property tax	-	7,489,832	-	-	-
Grand Canyon Airport	-	1,052,578	-	-	-
Other	16,774,282	24,726	-	-	2,570,777
Total revenues	<u>932,253,997</u>	<u>20,043,015</u>	<u>3,475,805</u>	<u>8,282,540</u>	<u>279,291,462</u>
<b>Expenditures:</b>					
Current:					
Transportation - appropriated by State legislature:					
Administration	44,648,035	-	-	-	-
Highway	42,034,947	-	-	-	-
Highway Maintenance	79,304,434	-	-	-	-
Motor Vehicle Division	67,143,631	-	791,699	-	-
Aeronautics Division	-	2,235,913	-	-	-
Other	1,388,360	-	-	-	-
Total Transportation - appropriated by State legislature	<u>234,519,407</u>	<u>2,235,913</u>	<u>791,699</u>	<u>-</u>	<u>-</u>
Transportation - not appropriated by State legislature	18,666,099	-	-	32,702	-
Capital outlay:					
Highway construction	554,026,432	-	-	-	151,427,933
Land, buildings and improvements - appropriated by State legislature	11,441,954	46,900	-	-	-
Contracts and capital leases payable	282,248	-	-	-	-
Federal arbitrage rebate	-	-	-	-	1,356,397

Motor Carrier Safety Revolving Fund	Motor Vehicle Liability Insurance Enforcement Fund	Vehicle Inspection and Title Enforcement Fund	Totals	
			1999	1998
\$ -	\$ -	\$ -	\$ 229,470,201	\$ 192,518,877
13,900	1,090,883	971,434	250,120,838	210,369,491
-	-	-	298,393,657	273,805,897
-	-	-	354,209,698	237,435,162
-	-	-	47,254,925	20,135,794
-	-	-	24,794	-
-	-	-	14,879,540	2,876,353
-	-	-	868,443	615,900
-	-	-	-	-
-	-	-	28,798	-
-	-	-	22,259,947	27,564,137
-	-	-	7,489,832	7,582,939
-	-	-	1,052,578	1,348,951
-	-	-	19,369,785	21,984,040
<u>13,900</u>	<u>1,090,883</u>	<u>971,434</u>	<u>1,245,423,036</u>	<u>996,237,541</u>
-	-	-	44,648,035	43,913,778
-	-	-	42,034,947	41,381,128
-	-	-	79,304,434	76,596,858
6,894	1,549,434	946,388	70,438,046	63,056,327
-	-	-	2,235,913	9,409,728
-	-	-	1,388,360	1,213,926
<u>6,894</u>	<u>1,549,434</u>	<u>946,388</u>	<u>240,049,735</u>	<u>235,571,745</u>
-	-	-	18,698,801	11,294,362
-	-	-	705,454,365	566,394,266
-	-	-	11,488,854	12,810,323
-	-	-	282,248	537,526
-	-	-	1,356,397	-

(continued)

Arizona Department of Transportation  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the fiscal year ended June 30, 1999  
(With comparative totals for the fiscal year ended June 30, 1998)

	<u>Budgeted</u>				
	<u>State Highway Fund</u>	<u>State Aviation Fund</u>	<u>Safety Enforcement and Transportation Infrastructure Fund</u>	<u>Highway Expansion and Extension Loan Program Fund</u>	<u>Maricopa Regional Area Road Construction Fund</u>
Arizona Department of Public Safety distributions - appropriated by State legislature	12,500,000	-	-	-	-
Arizona Department of Emergency and Military Affairs distributions - appropriated by State Legislature	-	-	-	-	-
Year 2000 computer projects	6,527,900	-	-	-	-
Distributions to Arizona counties, cities and other state agencies	<u>461,718</u>	<u>24,503,859</u>	<u>750,000</u>	<u>-</u>	<u>7,019,772</u>
Total expenditures	<u>838,425,758</u>	<u>26,786,672</u>	<u>1,541,699</u>	<u>32,702</u>	<u>159,804,102</u>
Excess <deficiency> of revenues over <under> expenditures	93,828,239	<6,743,657>	1,934,106	8,249,838	119,487,360
<b>Other financing sources &lt;uses&gt;:</b>					
Proceeds from contracts and capital leases payable	282,248	-	-	-	-
Operating transfers in	2,783,180	-	-	38,066,753	2,921,552
Operating transfers out:					
Debt service	<74,192,405>	-	-	-	<152,308,676>
Other	<39,142,086>	-	<45>	-	<920,829>
Total other financing sources <uses>	<u>&lt;110,269,063&gt;</u>	<u>-</u>	<u>&lt;45&gt;</u>	<u>38,066,753</u>	<u>&lt;150,307,953&gt;</u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses	<16,440,824>	<6,743,657>	1,934,061	46,316,591	<30,820,593>
Fund balances, July 1	<u>302,562,068</u>	<u>39,986,728</u>	<u>1,560,862</u>	<u>-</u>	<u>146,206,514</u>
<b>Fund balances, June 30</b>	<b><u>\$ 286,121,244</u></b>	<b><u>\$ 33,243,071</u></b>	<b><u>\$ 3,494,923</u></b>	<b><u>\$ 46,316,591</u></b>	<b><u>\$ 115,385,921</u></b>

Motor Carrier Safety Revolving Fund	Motor Vehicle Liability Insurance Enforcement Fund	Vehicle Inspection and Title Enforcement Fund	Totals	
			1999	1998
-	-	-	12,500,000	15,000,000
-	-	-	-	800,000
-	-	-	6,527,900	6,364,000
<u>7,900</u>	<u>-</u>	<u>111,139</u>	<u>32,854,388</u>	<u>29,017,595</u>
<u>14,794</u>	<u>1,549,434</u>	<u>1,057,527</u>	<u>1,029,212,688</u>	<u>877,789,817</u>
<894>	<458,551>	<86,093>	216,210,348	118,447,724
-	-	-	282,248	537,526
-	-	-	43,771,485	8,564,954
-	-	-	<226,501,081>	<191,417,408>
-	-	-	<40,062,960>	<2,831,788>
-	-	-	<222,510,308>	<185,146,716>
<894>	<458,551>	<86,093>	<6,299,960>	<66,698,992>
<u>76,007</u>	<u>965,666</u>	<u>561,902</u>	<u>491,919,747</u>	<u>558,618,739</u>
<u>\$ 75,113</u>	<u>\$ 507,115</u>	<u>\$ 475,809</u>	<u>\$ 485,619,787</u>	<u>\$ 491,919,747</u>

Arizona Department of Transportation  
Special Revenue Funds  
Combining Schedule of Revenues and Expenditures - Budget and Actual (Budget Basis)  
For the fiscal year ended June 30, 1999

	State Highway Fund			State Aviation Fund		
	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>
<b>Revenues:</b>						
Vehicle registration, title, license and related fees	\$ 233,940,300	\$ 202,279,704	\$ <31,660,596>	\$ 2,429,200	\$ 2,429,194	\$ <6>
Fuel and motor carrier taxes and fees	282,044,100	284,391,045	2,346,945	672,200	671,799	<401>
Interest	-	-	-	2,153,500	2,153,451	<49>
Flight property tax	-	-	-	7,489,400	7,489,832	432
Grand Canyon Airport	-	-	-	1,052,300	1,052,368	68
Other	-	-	-	1,400	1,356	<44>
Total revenues	<u>515,984,400</u>	<u>486,670,749</u>	<u>&lt;29,313,651&gt;</u>	<u>13,798,000</u>	<u>13,798,000</u>	<u>-</u>
<b>Expenditures appropriated by State legislature in 1999 budget:</b>						
Administration:						
Personal services	17,041,900	17,069,617	<27,717>	-	-	-
Employee related expenditures	3,709,700	3,745,466	<35,766>	-	-	-
Other operating expenditures	15,651,600	14,696,959	954,641	-	-	-
Risk management premiums	9,024,400	9,024,400	-	-	-	-
Total Administration	<u>45,427,600</u>	<u>44,536,442</u>	<u>891,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
Highway:						
Personal services	27,356,200	27,331,242	24,958	-	-	-
Employee related expenditures	6,193,700	6,193,746	<46>	-	-	-
Other operating expenditures	7,955,900	7,151,868	804,032	-	-	-
Radio communication	405,900	404,082	1,818	-	-	-
Total Highway	<u>41,911,700</u>	<u>41,080,938</u>	<u>830,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
Highway Maintenance:						
Personal services	24,772,700	24,969,503	<196,803>	-	-	-
Employee related expenditures	6,391,800	6,423,712	<31,912>	-	-	-
Other operating expenditures	48,071,600	46,592,179	1,479,421	-	-	-
Highway Maintenance (nonreverting balance forward)	1,518,652	1,356,463	162,189	-	-	-
Total Highway Maintenance	<u>80,754,752</u>	<u>79,341,857</u>	<u>1,412,895</u>	<u>-</u>	<u>-</u>	<u>-</u>
Motor Vehicle Division:						
Personal services	36,739,600	36,717,516	22,084	-	-	-
Employee related expenditures	9,314,700	9,381,660	<66,960>	-	-	-
Other operating expenditures	13,768,000	13,515,446	252,554	-	-	-
License plates and tabs	1,275,300	1,255,531	19,769	-	-	-
Medical advisory board	1,020,000	1,019,984	16	-	-	-
Abandoned Vehicle	405,600	348,815	56,785	-	-	-
Attorney General Legal	124,700	124,700	-	-	-	-
Special Projects	3,842,300	2,209,247	1,633,053	-	-	-
Desktop Computer Replacement	2,552,000	2,552,000	-	-	-	-
Total Motor Vehicle Division	<u>69,042,200</u>	<u>67,124,899</u>	<u>1,917,301</u>	<u>-</u>	<u>-</u>	<u>-</u>
Air Quality Program:						
Personal services	33,300	32,352	948	-	-	-
Employee related expenditures	9,600	10,113	<513>	-	-	-
Other operating expenditures	300	300	-	-	-	-
Total Air Quality Program	<u>43,200</u>	<u>42,765</u>	<u>435</u>	<u>-</u>	<u>-</u>	<u>-</u>

Safety Enforcement and Transportation Infrastructure Fund			Totals		
Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>
\$ 3,385,000	\$ 3,385,015	\$ 15	\$ 239,754,500	\$ 208,093,913	\$ <31,660,587>
-	-	-	282,716,300	285,062,844	2,346,544
96,000	95,989	<11>	2,249,500	2,249,440	<60>
-	-	-	7,489,400	7,489,832	432
-	-	-	1,052,300	1,052,368	68
-	-	-	1,400	1,356	<44>
<u>3,481,000</u>	<u>3,481,004</u>	<u>4</u>	<u>533,263,400</u>	<u>503,949,753</u>	<u>&lt;29,313,647&gt;</u>
-	-	-	17,041,900	17,069,617	<27,717>
-	-	-	3,709,700	3,745,466	<35,766>
-	-	-	15,651,600	14,696,959	954,641
-	-	-	9,024,400	9,024,400	-
-	-	-	45,427,600	44,536,442	891,158
-	-	-	27,356,200	27,331,242	24,958
-	-	-	6,193,700	6,193,746	<46>
-	-	-	7,955,900	7,151,868	804,032
-	-	-	405,900	404,082	1,818
-	-	-	41,911,700	41,080,938	830,762
-	-	-	24,772,700	24,969,503	<196,803>
-	-	-	6,391,800	6,423,712	<31,912>
-	-	-	48,071,600	46,592,179	1,479,421
-	-	-	1,518,652	1,356,463	162,189
-	-	-	80,754,752	79,341,857	1,412,895
388,100	369,890	18,210	37,127,700	37,087,406	40,294
99,100	94,226	4,874	9,413,800	9,475,886	<62,086>
280,000	276,547	3,453	14,048,000	13,791,993	256,007
-	-	-	1,275,300	1,255,531	19,769
-	-	-	1,020,000	1,019,984	16
-	-	-	405,600	348,815	56,785
-	-	-	124,700	124,700	-
-	-	-	3,842,300	2,209,247	1,633,053
-	-	-	2,552,000	2,552,000	-
<u>767,200</u>	<u>740,663</u>	<u>26,537</u>	<u>69,809,400</u>	<u>67,865,562</u>	<u>1,943,838</u>
-	-	-	33,300	32,352	948
-	-	-	9,600	10,113	<513>
-	-	-	300	300	-
-	-	-	43,200	42,765	435

(Continued)

Arizona Department of Transportation  
Special Revenue Funds  
Combining Schedule of Revenues and Expenditures - Budget and Actual (Budget Basis)  
For the fiscal year ended June 30, 1999

	State Highway Fund			State Aviation Fund		
	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>
State General Fund Program:						
Public transit:						
Personal services	38,200	32,848	5,352	-	-	-
Employee related expenditures	22,900	14,506	8,394	-	-	-
Other operating expenditures	3,500	1,879	1,621	-	-	-
Other transit planning	16,800	16,745	55	-	-	-
Total State General Fund Program	<u>81,400</u>	<u>65,978</u>	<u>15,422</u>	<u>-</u>	<u>-</u>	<u>-</u>
Aeronautics Division:						
Personal services	-	-	-	842,000	821,958	20,042
Employee related expenditures	-	-	-	212,900	207,891	5,009
Other operating expenditures	-	-	-	626,600	607,206	19,394
Reimbursement to State Highway Fund	-	-	-	10,000	-	10,000
Total Aeronautics Division	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,691,500</u>	<u>1,637,055</u>	<u>54,445</u>
Capital outlay - land, buildings and improvements	15,704,036	11,464,101	4,239,935	46,900	46,900	-
Arizona Department of Public Safety transfers	12,500,000	12,500,000	-	-	-	-
Year 2000 computer projects	6,527,900	6,527,900	-	-	-	-
Expenditures appropriated by State legislature by carryover of previous years' unexpended budgets	<u>1,033,311</u>	<u>496,086</u>	<u>537,225</u>	<u>28,270</u>	<u>2</u>	<u>28,268</u>
Total expenditures	<u>273,026,099</u>	<u>263,180,966</u>	<u>9,845,133</u>	<u>1,766,670</u>	<u>1,683,957</u>	<u>82,713</u>
<b>Excess &lt;deficiency&gt; of revenues over &lt;under&gt; expenditures</b>	<b><u>\$ 242,958,301</u></b>	<b><u>\$ 223,489,783</u></b>	<b><u>\$ &lt;19,468,518&gt;</u></b>	<b><u>\$ 12,031,330</u></b>	<b><u>\$ 12,114,043</u></b>	<b><u>\$ 82,713</u></b>

Safety Enforcement and Transportation Infrastructure Fund			Totals		
Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>
-	-	-	38,200	32,848	5,352
-	-	-	22,900	14,506	8,394
-	-	-	3,500	1,879	1,621
-	-	-	16,800	16,745	55
-	-	-	81,400	65,978	15,422
-	-	-	842,000	821,958	20,042
-	-	-	212,900	207,891	5,009
-	-	-	626,600	607,206	19,394
-	-	-	10,000	-	10,000
-	-	-	1,691,500	1,637,055	54,445
			15,750,936	11,511,001	4,239,935
-	-	-	12,500,000	12,500,000	-
-	-	-	6,527,900	6,527,900	-
-	-	-	1,061,581	496,088	565,493
767,200	740,663	26,537	275,559,969	265,605,586	9,954,383
<b>\$ 2,713,800</b>	<b>\$ 2,740,341</b>	<b>\$ 26,541</b>	<b>\$ 257,703,431</b>	<b>\$ 238,344,167</b>	<b>\$ &lt;19,359,264&gt;</b>

## Debt Service Funds

**The Highway Revenue Bond Fund** administers the payment of principle and interest on the 1990 Series State of Arizona Highway Revenue Bond series, the 1991 Series A and 1992 Series B State of Arizona Subordinated Highway Revenue Bond issues, the 1993 Series State of Arizona Revenue Refunding Bond issue and the 1992 Series A, 1993 Series A and 1993 Series B State of Arizona Subordinated Highway Revenue Refunding Bond issues.

**The Maricopa Regional Area Road Bond Fund** administers the payment of principle and interest on the 1988 Series A, 1991 Series A, 1992 Series A Refunding, 1992 Series B and 1998 Series A Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bond issues, the 1989 Series A Transportation Excise Tax Revenue Bond issue, the 1993 Series and 1995 Series A Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Bond issues, and the 1995 Series B Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Refunding Bond issue.

Arizona Department of Transportation  
Debt Service Funds  
Combining Balance Sheet  
June 30, 1999  
(With comparative totals at June 30, 1998)

	<b>Highway Revenue Bond Fund</b>	<b>Maricopa Regional Area Road Bond Fund</b>	<b>Totals</b>	
			<b>1999</b>	<b>1998</b>
<b>Assets</b>				
Cash and cash equivalents on deposit with the State Treasurer	\$ 1,504,163	\$ 31,037,348	\$ 32,541,511	\$ 25,312,879
Accrued interest receivable	630,339	1,564,887	2,195,226	2,652,390
<b>Total assets</b>	<b>\$ 2,134,502</b>	<b>\$ 32,602,235</b>	<b>\$ 34,736,737</b>	<b>\$ 27,965,269</b>
<b>Fund balances</b>				
Reserved for highway construction	\$ 2,134,502	\$ 32,602,235	\$ 34,736,737	\$ 27,965,269
<b>Total fund balances</b>	<b>\$ 2,134,502</b>	<b>\$ 32,602,235</b>	<b>\$ 34,736,737</b>	<b>\$ 27,965,269</b>

Arizona Department of Transportation  
Debt Service Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the fiscal year ended June 30, 1999  
(With comparative totals for the fiscal year ended June 30, 1998)

	Highway Revenue Bond Fund	Maricopa Regional Area Road Bond Fund	Totals	
			1999	1998
<b>Revenues:</b>				
Interest	\$ 1,705,834	\$ 5,942,999	\$ 7,648,833	\$ 6,817,499
<b>Expenditures:</b>				
Debt service:				
Principal	43,805,000	106,765,000	150,570,000	126,170,000
Interest	31,090,114	43,251,483	74,341,597	73,777,474
Bond issuance cost	-	659,778	659,778	-
Other	33,649	80,374	114,023	110,843
Total expenditures	<u>74,928,763</u>	<u>150,756,635</u>	<u>225,685,398</u>	<u>200,058,317</u>
Deficiency of revenues under expenditures	<73,222,929>	<144,813,636>	<218,036,565>	<193,240,818>
<b>Other financing sources &lt;uses&gt;:</b>				
Operating transfers in	74,192,405	152,308,676	226,501,081	191,417,408
Proceeds from refunding bonds	-	28,825,844	28,825,844	-
Payment to refunded bond escrow agent	-	<27,390,000>	<27,390,000>	-
Operating transfers out	<210,776>	<2,918,116>	<3,128,892>	<5,285,908>
Total other financing sources <uses>	<u>73,981,629</u>	<u>150,826,404</u>	<u>224,808,033</u>	<u>186,131,500</u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses	758,700	6,012,768	6,771,468	<7,109,318>
Fund balances, July 1	<u>1,375,802</u>	<u>26,589,467</u>	<u>27,965,269</u>	<u>35,074,587</u>
<b>Fund balances, June 30</b>	<b><u>\$ 2,134,502</u></b>	<b><u>\$ 32,602,235</u></b>	<b><u>\$ 34,736,737</u></b>	<b><u>\$ 27,965,269</u></b>

# Capital Projects Fund

**The Maricopa Regional Area Road Fund Bond Proceeds Fund** is used to administer bond proceeds from the 1998 Series A and the 1999 Series A Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Bond issues. These monies are spent on the construction of state highways within Maricopa County.

Arizona Department of Transportation  
 Maricopa Regional Area Road Bond Proceeds Fund  
 Capital Projects Fund  
 Comparative Balance Sheets  
 June 30, 1999 and 1998

	<b>1999</b>	<b>1998</b>
<b>Assets</b>		
Cash and cash equivalents on deposit with the State Treasurer	\$ 18,770,317	\$ -
Accrued interest receivable	554,801	-
Due from other Arizona Department of Transportation Funds	5,875,596	-
<b>Total assets</b>	<b>\$ 25,200,714</b>	<b>\$ -</b>
<b>Liabilities and fund balances</b>		
Liabilities:		
Construction contracts payable	\$ 8,463,402	\$ -
Accounts payable	6,772,019	-
Due to other Arizona Department of Transportation Funds	1,675,635	-
Total liabilities	16,911,056	-
Fund balances - reserved for highway construction	8,289,658	-
<b>Total liabilities and fund balances</b>	<b>\$ 25,200,714</b>	<b>\$ -</b>

Arizona Department of Transportation  
 Maricopa Regional Area Road Bond Proceeds Fund  
 Capital Projects Fund  
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balances  
 For the fiscal years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>Revenues:</b>		
Interest	\$ 4,439,936	\$ -
Other	<u>71,525</u>	<u>-</u>
Total revenues	<u>4,511,461</u>	<u>-</u>
<b>Expenditures:</b>		
Capital outlay - highway construction	148,241,265	3,792,977
Other	<u>1,989</u>	<u>821</u>
Total expenditures	<u>148,243,254</u>	<u>3,793,798</u>
Deficiency of revenues under expenditures	<143,731,793>	<3,793,798>
<b>Other financing sources &lt;uses&gt;:</b>		
Proceeds from sale of bonds	152,572,363	-
Operating transfers out	<u>&lt;550,912&gt;</u>	<u>&lt;79,536&gt;</u>
Total other financing sources <uses>	<u>152,021,451</u>	<u>&lt;79,536&gt;</u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses	8,289,658	<3,873,334>
Fund balances, July 1	<u>-</u>	<u>3,873,334</u>
<b>Fund balances, June 30</b>	<b><u>\$ 8,289,658</u></b>	<b><u>\$ -</u></b>

# Enterprise Fund

**The Arizona Highways Magazine Fund** publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

Arizona Department of Transportation  
Arizona Highways Magazine Fund  
Comparative Balance Sheets  
June 30, 1999 and 1998

	<b>1999</b>	<b>1998</b>	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents on deposit with the State Treasurer	\$ 3,221,552	\$ 4,480,074	\$ <1,258,522>
Subscriptions receivable, less allowance for doubtful accounts of \$7,300 in 1999 and 1998	463,554	185,854	277,700
Accrued interest receivable	38,658	86,042	<47,384>
Accounts receivable - retail/commercial, less allowance for returns of \$10,000 in 1999 and 1998	123,519	410,549	<287,030>
Inventories	2,815,194	2,771,895	43,299
Prepaid expenses	606,291	321,228	285,063
Total current assets	7,268,768	8,255,642	
Fixed assets, net of accumulated depreciation	2,420,394	2,834,434	<414,040>
<b>Total assets</b>	<b>\$ 9,689,162</b>	<b>\$ 11,090,076</b>	
<b>Liabilities and fund equity</b>			
Current liabilities:			
Accounts payable	\$ 246,241	\$ 187,687	\$ 58,554
Accrued payroll and other accrued expenses	237,845	235,381	2,464
Due to other Arizona Department of Transportation funds	1,808	2,311	<503>
Deferred revenue - unearned subscription revenue	4,257,611	4,366,877	<109,266>
Total current liabilities	4,743,505	4,792,256	
Fund equity:			
Contributed capital	1,538,698	2,038,698	
Retained earnings	3,406,959	4,259,122	
Total fund equity	4,945,657	6,297,820	
<b>Total liabilities and fund equity</b>	<b>\$ 9,689,162</b>	<b>\$ 11,090,076</b>	

Arizona Department of Transportation  
Arizona Highways Magazine Fund  
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings  
For the fiscal years ended June 30, 1999 and 1998

	<b>1999</b>	<b>1998</b>
<b>Operating revenues:</b>		
Magazine sales	\$ 6,039,340	\$ 6,041,695
Sales of related products	4,269,466	4,443,666
Other	607,749	422,535
Total operating revenues	10,916,555	10,907,896
<b>Operating expenses:</b>		
Publication and promotional costs	5,685,205	5,520,288
Salaries and wages	2,011,090	1,893,191
Employee benefits	466,812	438,237
Shipping and postage	1,969,985	1,812,946
Supplies	107,401	120,699
Equipment rental	79,249	89,585
Temporary help, professional and outside services	513,544	537,018
Repairs and maintenance	63,800	76,228
Travel	23,951	26,324
Write-off of uncollectible accounts	68,521	31,919
Other	368,760	369,460
Depreciation	358,265	164,547
Total operating expenses	11,716,583	11,080,442
Operating loss	<800,028>	<172,546>
<b>Non-operating revenues &lt;expenses&gt;:</b>		
Interest	227,854	288,379
Loss on disposal of fixed assets	<279,989>	<4,900>
Total non-operating revenues <expenses>	<52,135>	283,479
Net <loss> income	<852,163>	110,933
Retained earnings, July 1	4,259,122	4,148,189
<b>Retained earnings, June 30</b>	<b>\$ 3,406,959</b>	<b>\$ 4,259,122</b>

Arizona Department of Transportation  
Arizona Highways Magazine Fund  
Comparative Statements of Cash Flows  
For the fiscal years ended June 30, 1999 and 1998

	<b>1999</b>	<b>1998</b>
<b>Cash flows from operating activities:</b>		
Operating loss	\$ <800,028>	\$ <172,546>
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	358,265	164,547
Changes in current assets and liabilities:		
Accounts receivable	9,330	<117,659>
Inventories	<43,299>	<122,079>
Prepaid expenses	<285,063>	<44,670>
Accounts payable	58,554	<357,573>
Accrued payroll and other accrued expenses	2,464	21,742
Due to other Arizona Department of Transportation funds	<503>	<15,354>
Deferred revenue	<109,266>	2,306
Total adjustments	<9,518>	<468,740>
Net cash used for operating activities	<809,546>	<641,286>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of fixed assets	<224,214>	<934,081>
Reduction of contributed capital	<500,000>	-
Net cash used for capital and related financing activities	<724,214>	<934,081>
<b>Cash flows from investing activities:</b>		
Interest	275,238	288,027
Net cash provided by investing activities	275,238	288,027
Net decrease in cash and cash equivalents	<1,258,522>	<1,287,340>
Cash and cash equivalents, July 1	4,480,074	5,767,414
<b>Cash and cash equivalents, June 30</b>	<b>\$ 3,221,552</b>	<b>\$ 4,480,074</b>

## Internal Service Funds

**The Equipment Revolving Fund** purchases and maintains equipment and materials to be used by other funds.

**The Warehouse Revolving Fund** administers the purchase, storage and distribution of forms and computer parts for other funds.

Arizona Department of Transportation  
Internal Service Funds  
Combining Balance Sheet  
June 30, 1999  
(With comparative totals at June 30, 1998)

	<u>Equipment Revolving Fund</u>	<u>Warehouse Revolving Fund</u>	<u>Totals</u>	
			<u>1999</u>	<u>1998</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents on deposit with the State Treasurer	\$ 5,065,792	\$ 264,314	\$ 5,330,106	\$ 3,366,795
Receivables:				
Accrued interest	41,789	1,318	43,107	59,089
Other	87,503	-	87,503	127,022
Due from other Arizona Department of Transportation funds	1,775,347	-	1,775,347	1,963,009
Due from other state agencies	20,254	-	20,254	114,164
Inventories	2,560,838	-	2,560,838	2,371,219
Total current assets	<u>9,551,523</u>	<u>265,632</u>	<u>9,817,155</u>	<u>8,001,298</u>
Fixed assets, net of accumulated depreciation	35,321,018	-	35,321,018	37,001,177
<b>Total assets</b>	<b><u>\$ 44,872,541</u></b>	<b><u>\$ 265,632</u></b>	<b><u>\$ 45,138,173</u></b>	<b><u>\$ 45,002,475</u></b>
<b>Liabilities and fund equity</b>				
Liabilities:				
Accounts payable	\$ 557,157	\$ 5,868	\$ 563,025	\$ 802,088
Accrued payroll and other accrued expenses	908,896	-	908,896	827,901
Total liabilities	<u>1,466,053</u>	<u>5,868</u>	<u>1,471,921</u>	<u>1,629,989</u>
Fund equity:				
Contributed capital	5,793,237	313,403	6,106,640	6,106,640
Retained earnings <deficit>:				
Reserved for replacement of equipment	9,985,210	-	9,985,210	9,985,210
Unreserved	27,628,041	<53,639>	27,574,402	27,280,636
Total fund equity	<u>43,406,488</u>	<u>259,764</u>	<u>43,666,252</u>	<u>43,372,486</u>
<b>Total liabilities and fund equity</b>	<b><u>\$ 44,872,541</u></b>	<b><u>\$ 265,632</u></b>	<b><u>\$ 45,138,173</u></b>	<b><u>\$ 45,002,475</u></b>

Arizona Department of Transportation  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Retained Earnings <Deficit>  
For the fiscal year ended June 30, 1999  
(With comparative totals for the fiscal year ended June 30, 1998)

	Equipment	Warehouse	Totals	
	Revolving Fund	Revolving Fund	1999	1998
<b>Operating revenues:</b>				
Equipment rentals	\$ 24,289,009	\$ -	\$ 24,289,009	\$ 24,246,642
Warehouse supply billings	-	-	-	56,555
Equipment sales	165,711	-	165,711	227,707
Other	3,394,993	1,670	3,396,663	3,143,816
Total operating revenues	<u>27,849,713</u>	<u>1,670</u>	<u>27,851,383</u>	<u>27,674,720</u>
<b>Operating expenses:</b>				
Equipment maintenance	5,813,831	-	5,813,831	6,632,791
Fuel and lubricants	3,162,837	-	3,162,837	3,915,320
Salaries and related benefits	8,826,969	-	8,826,969	8,560,062
Supplies	224,049	-	224,049	193,767
Professional and outside services	460,658	203	460,861	518,421
Equipment rental	-	-	-	29,801
Insurance	855,600	-	855,600	780,347
Travel	116,161	-	116,161	119,389
Other	1,009,273	-	1,009,273	993,375
Materials issued	-	-	-	99,239
Depreciation	6,663,738	-	6,663,738	6,584,576
Total operating expenses	<u>27,133,116</u>	<u>203</u>	<u>27,133,319</u>	<u>28,427,088</u>
Operating income <loss>	716,597	1,467	718,064	<752,368>
<b>Non-operating revenues &lt;expenses&gt;:</b>				
Interest	154,648	14,800	169,448	223,246
Loss on disposal of fixed assets	<93,746>	-	<93,746>	<177,006>
Legislative transfer out	<500,000>	-	<500,000>	-
Total non-operating revenues <expenses>	<u>&lt;439,098&gt;</u>	<u>14,800</u>	<u>&lt;424,298&gt;</u>	<u>46,240</u>
Net income <loss>	277,499	16,267	293,766	<706,128>
Retained earnings <deficit>, July 1	37,335,752	<69,906>	37,265,846	37,971,974
<b>Retained earnings &lt;deficit&gt;, June 30</b>	<u><b>\$ 37,613,251</b></u>	<u><b>\$ &lt;53,639&gt;</b></u>	<u><b>\$ 37,559,612</b></u>	<u><b>\$ 37,265,846</b></u>

Arizona Department of Transportation  
Internal Service Funds  
Combining Statement of Cash Flows  
For the fiscal year ended June 30, 1999  
(With comparative totals for the fiscal year ended June 30, 1998)

	Equipment	Warehouse	Totals	
	<u>Revolving Fund</u>	<u>Revolving Fund</u>	<u>1999</u>	<u>1998</u>
<b>Cash flows from operating activities:</b>				
Operating income <loss>	\$ 716,597	\$ 1,467	\$ 718,064	\$ <752,368>
Adjustments to reconcile operating income <loss> to net cash provided by <used for> operating activities				
Depreciation	6,663,738	-	6,663,738	6,584,576
Changes in assets and liabilities:				
Due from other Arizona Department of Transportation funds	187,662	-	187,662	<229,610>
Due from other state agencies	93,910	-	93,910	29,510
Other receivables	39,519	-	39,519	<35,906>
Inventories	<191,770>	2,151	<189,619>	<21,065>
Accounts payable	<213,731>	<25,332>	<239,063>	305,204
Accrued payroll and other accrued expenses	80,995	-	80,995	29,377
Due to other Arizona Department of Transportation funds	-	-	-	<8,644>
Total adjustments	<u>6,660,323</u>	<u>&lt;23,181&gt;</u>	<u>6,637,142</u>	<u>6,653,442</u>
Net cash provided by <used for> operating activities	<u>7,376,920</u>	<u>&lt;21,714&gt;</u>	<u>7,355,206</u>	<u>5,901,074</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of fixed assets	<5,525,953>	-	<5,525,953>	<7,538,697>
Proceeds from sale of fixed assets	448,628	-	448,628	437,129
Legislative transfer out	<500,000>	-	<500,000>	-
Net cash used for capital and related financing activities	<u>&lt;5,577,325&gt;</u>	<u>-</u>	<u>&lt;5,577,325&gt;</u>	<u>&lt;7,101,568&gt;</u>
<b>Cash flows from investing activities:</b>				
Interest	<u>169,194</u>	<u>16,236</u>	<u>185,430</u>	<u>215,223</u>
Net cash provided by investing activities	<u>169,194</u>	<u>16,236</u>	<u>185,430</u>	<u>215,223</u>
Net increase <decrease> in cash and cash equivalents	1,968,789	<5,478>	1,963,311	<985,271>
Cash and cash equivalents, July 1	<u>3,097,003</u>	<u>269,792</u>	<u>3,366,795</u>	<u>4,352,066</u>
<b>Cash and cash equivalents, June 30</b>	<b><u>\$ 5,065,792</u></b>	<b><u>\$ 264,314</u></b>	<b><u>\$ 5,330,106</u></b>	<b><u>\$ 3,366,795</u></b>

# Fiduciary Funds

## Expendable Trust Fund

**The Local Agency Deposits Fund** receives monies from the U. S. Government and local agencies for the payment of local agency sponsored county secondary road construction projects.

## Agency Funds

**The Motor Vehicle Division Clearing Fund** accounts for the collection and disbursement of all Motor Vehicle Division revenues.

**The Highway User Revenue Fund** collects motor vehicle and liquid use fuel taxes and receives certain Motor Vehicle Division revenues from the Motor Vehicle Division Clearing fund. These monies are distributed to the State Highway Fund, the Department of Public safety, the Arizona State Parks, the Border Patrol, the Economic Strength Project Fund, and various cities and counties.

**The Underground Storage Tank Fund** receives certain Motor vehicle Division revenues for distribution to the Department of Environmental Quality.

**The Highway Property Rentals 24 Percent Fund** collects 24 percent of the Department's rental income from condemned properties for distribution to the local county.

**The Economic Strength Project Fund** collects monies from the Highway User Revenue Fund for use on approved economic strength projects recommended by the Commerce and Economic Development Commission.

**The Privilege Tax Fund** collects monies from the renters of properties acquired by the Department for use in future highway development. Monies collected are distributed to the Department of Revenue.

Arizona Department of Transportation  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 1999  
(With comparative totals at June 30, 1998)

	<u>Expendable Trust Fund</u>	<u>Agency Funds</u>		
	<u>Local Agency Deposits</u>	<u>Motor Vehicle Division Clearing</u>	<u>Highway User Revenue</u>	<u>Underground Storage Tank</u>
<b>Assets</b>				
Cash and cash equivalents on deposit with the State Treasurer:				
Restricted	\$ 4,969,692	\$ -	\$ -	\$ 339,667
Unrestricted	-	24,363,176	68,104,498	-
Receivables:				
Accrued interest	-	-	455,506	2,868
Taxes and fees	-	79,348,245	86,536,465	-
Other	530,223	-	-	-
Due from U.S. Government for reimbursable construction costs	1,865,536	-	-	-
Due from other Arizona Department of Transportation funds	-	27,420	42,288,533	3,354,737
Due from Arizona counties, cities and other state agencies	376,534	-	-	-
<b>Total assets</b>	<b><u>\$ 7,741,985</u></b>	<b><u>\$ 103,738,841</u></b>	<b><u>\$ 197,385,002</u></b>	<b><u>\$ 3,697,272</u></b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Construction contracts payable	\$ 1,961,246	\$ -	\$ -	\$ -
Accounts payable	126,567	5,935,001	-	87,205
Due to other Arizona Department of Transportation funds	-	50,217,237	97,645,242	-
Due to Arizona Department of Public Safety	-	-	1,692,500	-
Due to Arizona counties, cities and other state agencies	-	45,477,022	98,047,260	3,610,067
Surety and rental deposits	-	2,109,581	-	-
<b>Total liabilities</b>	<b><u>2,087,813</u></b>	<b><u>103,738,841</u></b>	<b><u>197,385,002</u></b>	<b><u>3,697,272</u></b>
Fund balances:				
Reserved for highway construction	5,654,172	-	-	-
<b>Total fund balances</b>	<b><u>5,654,172</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 7,741,985</u></b>	<b><u>\$ 103,738,841</u></b>	<b><u>\$ 197,385,002</u></b>	<b><u>\$ 3,697,272</u></b>

<b>Agency Funds</b>				
<b>Highway Property Rentals - 24%</b>	<b>Economic Strength Project</b>	<b>Privilege Tax</b>	<b>Totals</b>	
			<b>1999</b>	<b>1998</b>
\$ -	\$ 1,990,088	\$ 74,118	\$ 7,373,565	\$ 6,798,217
2,532,464	-	-	95,000,138	67,805,551
-	14,272	-	472,646	544,859
-	-	-	165,884,710	136,304,460
24,944	-	-	555,167	640,457
-	-	-	1,865,536	2,290,938
-	-	-	45,670,690	33,649,083
-	-	-	376,534	489,516
<b>\$ 2,557,408</b>	<b>\$ 2,004,360</b>	<b>\$ 74,118</b>	<b>\$ 317,198,986</b>	<b>\$ 248,523,081</b>
\$ -	\$ -	\$ -	\$ 1,961,246	\$ 2,749,215
-	-	-	6,148,773	6,032,197
-	-	-	147,862,479	111,907,880
-	-	-	1,692,500	1,562,500
2,557,408	2,004,360	74,118	151,770,235	121,084,805
-	-	-	2,109,581	2,287,641
<b>2,557,408</b>	<b>2,004,360</b>	<b>74,118</b>	<b>311,544,814</b>	<b>245,624,238</b>
-	-	-	5,654,172	2,898,843
-	-	-	5,654,172	2,898,843
<b>\$ 2,557,408</b>	<b>\$ 2,004,360</b>	<b>\$ 74,118</b>	<b>\$ 317,198,986</b>	<b>\$ 248,523,081</b>

Arizona Department of Transportation  
Expendable Trust Fund  
Local Agency Deposits Fund  
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances  
For the fiscal years ended June 30, 1999 and 1998

	<b>1999</b>	<b>1998*</b>
<b>Revenues:</b>		
Reimbursements of construction expenditures - federal aid	\$ 17,747,416	\$ 26,411,442
Reimbursements from Arizona counties, cities and other state agencies	917,414	1,812,709
State appropriations	-	3,200,000
Other	233,225	51,660
Total revenues	18,898,055	31,475,811
<b>Expenditures:</b>		
Capital outlay - highway construction	16,114,005	32,767,897
Distributions to other state agencies	-	9,800,000
Total expenditures	16,114,005	42,567,897
Excess <deficiency> of revenues over <under> expenditures	2,784,050	<11,092,086>
<b>Other financing sources &lt;uses&gt;:</b>		
Operating transfers in	-	<71>
Operating transfers out	<28,721>	<367,651>
Total other financing sources <uses>	<28,721>	<367,722>
Excess <deficiency> of revenues over <under> expenditures and other financing sources <uses>	2,755,329	<11,459,808>
Fund balances, July 1	2,898,843	14,358,651
<b>Fund balances, June 30</b>	<b>\$ 5,654,172</b>	<b>\$ 2,898,843</b>

\* Includes Bridge Construction Fund and Davis-Monthan Runway Extension Fund

Arizona Department of Transportation  
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
For the fiscal year ended June 30, 1999

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
<b>Motor Vehicle Division Clearing Fund</b>				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, unrestricted	\$ 20,985,937	\$ 876,944,624	\$ 873,567,385	\$ 24,363,176
Taxes and fees receivable	65,105,510	891,167,453	876,924,718	79,348,245
Due from other Arizona Department of Transportation funds	-	712	<26,708>	27,420
Due from Arizona counties, cities and other state agencies	-	46,614	46,614	-
<b>Total assets</b>	<b><u>\$ 86,091,447</u></b>	<b><u>\$ 1,768,159,403</u></b>	<b><u>\$ 1,750,512,009</u></b>	<b><u>\$ 103,738,841</u></b>
<u>Liabilities:</u>				
Accounts payable	\$ 3,780,322	\$ 62,167,233	\$ 60,012,554	\$ 5,935,001
Due to other Arizona Department of Transportation funds	38,921,501	469,386,745	458,091,009	50,217,237
Due to Arizona counties, cities and other state agencies	41,101,983	359,663,301	355,288,262	45,477,022
Surety and rental deposits	2,287,641	<2,500>	175,560	2,109,581
<b>Total liabilities</b>	<b><u>\$ 86,091,447</u></b>	<b><u>\$ 891,214,779</u></b>	<b><u>\$ 873,567,385</u></b>	<b><u>\$ 103,738,841</u></b>
<b>Highway User Revenue Fund</b>				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, unrestricted	\$ 44,310,175	\$ 1,003,554,166	\$ 979,759,843	\$ 68,104,498
Accrued interest receivable	518,670	2,085,314	2,148,478	455,506
Taxes and fees receivable	71,198,868	629,104,228	613,766,631	86,536,465
Due from other Arizona Department of Transportation funds	31,294,446	398,507,435	387,513,348	42,288,533
Due from Arizona counties, cities and other state agencies	112,982	12,727	125,709	-
<b>Total assets</b>	<b><u>\$ 147,435,141</u></b>	<b><u>\$ 2,033,263,870</u></b>	<b><u>\$ 1,983,314,009</u></b>	<b><u>\$ 197,385,002</u></b>
<u>Liabilities:</u>				
Due to other Arizona Department of Transportation funds	\$ 72,986,379	\$ 513,149,304	\$ 488,490,441	\$ 97,645,242
Due to Arizona Department of Public Safety	1,562,500	12,630,000	12,500,000	1,692,500
Due to Arizona counties, cities and other state agencies	72,886,262	503,930,400	478,769,402	98,047,260
<b>Total liabilities</b>	<b><u>\$ 147,435,141</u></b>	<b><u>\$ 1,029,709,704</u></b>	<b><u>\$ 979,759,843</u></b>	<b><u>\$ 197,385,002</u></b>

(Continued)

Arizona Department of Transportation  
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
For the fiscal year ended June 30, 1999

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
<b>Underground Storage Tank Fund</b>				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, restricted	\$ 260,888	\$ 27,680,255	\$ 27,601,476	\$ 339,667
Accrued interest receivable	7,833	<5,610>	<645>	2,868
Due from other Arizona Department of Transportation funds	2,354,637	28,680,999	27,680,899	3,354,737
<b>Total assets</b>	<b><u>\$ 2,623,358</u></b>	<b><u>\$ 56,355,644</u></b>	<b><u>\$ 55,281,730</u></b>	<b><u>\$ 3,697,272</u></b>
<u>Liabilities:</u>				
Accounts payable	\$ 60,995	\$ 945,774	\$ 919,564	\$ 87,205
Due to Arizona counties, cities and other state agencies	2,562,363	27,729,615	26,681,911	3,610,067
<b>Total liabilities</b>	<b><u>\$ 2,623,358</u></b>	<b><u>\$ 28,675,389</u></b>	<b><u>\$ 27,601,475</u></b>	<b><u>\$ 3,697,272</u></b>
<b>Highway Property Rentals - 24% Fund</b>				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, unrestricted	\$ 2,509,439	\$ 453,620	\$ 430,595	\$ 2,532,464
Accounts receivable	25,066	453,498	453,620	24,944
<b>Total assets</b>	<b><u>\$ 2,534,505</u></b>	<b><u>\$ 907,118</u></b>	<b><u>\$ 884,215</u></b>	<b><u>\$ 2,557,408</u></b>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 1,008	\$ 1,008	\$ -
Due to Arizona counties, cities and other state agencies	2,534,505	452,491	429,588	2,557,408
<b>Total liabilities</b>	<b><u>\$ 2,534,505</u></b>	<b><u>\$ 453,499</u></b>	<b><u>\$ 430,596</u></b>	<b><u>\$ 2,557,408</u></b>

(Continued)

Arizona Department of Transportation  
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
For the fiscal year ended June 30, 1999

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
<b>Economic Strength Project Fund</b>				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, restricted	\$ 1,907,121	\$ 1,109,173	\$ 1,026,206	\$ 1,990,088
Accrued interest receivable	18,356	105,088	109,172	14,272
Due from other Arizona Department of Transportation funds	-	1,000,000	1,000,000	-
<b>Total assets</b>	<b><u>\$ 1,925,477</u></b>	<b><u>\$ 2,214,261</u></b>	<b><u>\$ 2,135,378</u></b>	<b><u>\$ 2,004,360</u></b>
<u>Liabilities:</u>				
Due to Arizona counties, cities and other state agencies	\$ 1,925,477	\$ 1,105,089	\$ 1,026,206	\$ 2,004,360
<b>Total liabilities</b>	<b><u>\$ 1,925,477</u></b>	<b><u>\$ 1,105,089</u></b>	<b><u>\$ 1,026,206</u></b>	<b><u>\$ 2,004,360</u></b>
<b>Privilege Tax Fund</b>				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, restricted	\$ 74,133	\$ 17	\$ 32	\$ 74,118
Taxes and fees receivable	82	<64>	18	-
<b>Total assets</b>	<b><u>\$ 74,215</u></b>	<b><u>\$ &lt;47&gt;</u></b>	<b><u>\$ 50</u></b>	<b><u>\$ 74,118</u></b>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 17	\$ 17	\$ -
Due to Arizona counties, cities and other state agencies	74,215	<82>	15	74,118
<b>Total liabilities</b>	<b><u>\$ 74,215</u></b>	<b><u>\$ &lt;65&gt;</u></b>	<b><u>\$ 32</u></b>	<b><u>\$ 74,118</u></b>

(Continued)

Arizona Department of Transportation  
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
For the fiscal year ended June 30, 1999

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
<b>Total - All Agency Funds</b>				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer:				
Restricted	\$ 2,242,142	\$ 28,789,445	\$ 28,627,714	\$ 2,403,873
Unrestricted	67,805,551	1,880,952,410	1,853,757,823	95,000,138
Receivables:				
Accrued interest	544,859	2,184,792	2,257,005	472,646
Taxes and fees	136,304,460	1,520,271,617	1,490,691,367	165,884,710
Other	25,066	453,498	453,620	24,944
Due from other Arizona Department of Transportation funds	33,649,083	428,189,146	416,167,539	45,670,690
Due from Arizona counties, cities and other state agencies	112,982	59,341	172,323	-
<b>Total assets</b>	<b><u>\$ 240,684,143</u></b>	<b><u>\$ 3,860,900,249</u></b>	<b><u>\$ 3,792,127,391</u></b>	<b><u>\$ 309,457,001</u></b>
<u>Liabilities:</u>				
Accounts payable	\$ 3,841,317	\$ 63,114,032	\$ 60,933,143	\$ 6,022,206
Due to other Arizona Department of Transportation funds	111,907,880	982,536,049	946,581,450	147,862,479
Due to Arizona Department of Public Safety	1,562,500	12,630,000	12,500,000	1,692,500
Due to Arizona counties, cities and other state agencies	121,084,805	892,880,814	862,195,384	151,770,235
Surety and rental deposits	2,287,641	<2,500>	175,560	2,109,581
<b>Total liabilities</b>	<b><u>\$ 240,684,143</u></b>	<b><u>\$ 1,951,158,395</u></b>	<b><u>\$ 1,882,385,537</u></b>	<b><u>\$ 309,457,001</u></b>

## General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in individual funds. Public Domain (infrastructure) assets consisting of certain improvements other than buildings (including roads, bridges, lighting systems, and similar assets) are not reported in the General Fixed Assets Account Group.

Arizona Department of Transportation  
 Comparative Schedules of General Fixed Assets  
 By Source  
 June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>General fixed assets</b>		
Land	\$ 10,863,072	\$ 8,657,685
Buildings and improvements	110,107,920	102,113,393
Improvements other than buildings	31,086,260	30,143,274
Machinery and equipment	39,454,138	41,590,704
<b>Total general fixed assets</b>	<b>\$ 191,511,390</b>	<b>\$ 182,505,056</b>
<b>Investment in general fixed assets by source</b>		
Assets acquired prior to fiscal year 1991 (1)	\$ 80,468,593	\$ 81,167,572
Assets acquired subsequent to fiscal year 1990		
Special revenue funds	106,804,898	93,906,117
Proprietary funds	1,221,920	1,118,755
Third-party financing	3,015,979	6,312,612
<b>Total investment in general fixed assets</b>	<b>\$ 191,511,390</b>	<b>\$ 182,505,056</b>

(1) Breakdown of assets by source is not available prior to fiscal year 1991.

Arizona Department of Transportation  
 Schedule of General Fixed Assets - By Function and Activity  
 June 30, 1999

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Beginning balance of assets acquired prior to fiscal year 1991 at July 1, 1991	\$ 5,766,839	\$ 56,983,782	\$ 13,947,551	\$ 4,469,400	\$ 81,167,572
Disposal of assets acquired prior to fiscal year 1991 (1)	-	-	<61,000>	<637,979>	<698,979>
Remaining assets acquired prior to fiscal year 1991 (1)	<u>5,766,839</u>	<u>56,983,782</u>	<u>13,886,551</u>	<u>3,831,421</u>	<u>80,468,593</u>
Net assets acquired subsequent to fiscal year 1990:					
Administration	-	6,769,671	1,040,568	9,964,901	17,775,140
Aeronautics Division	-	170,101	5,569,978	843,896	6,583,975
Motor Vehicle Division	3,941,310	23,136,904	1,903,706	9,338,446	38,320,366
Highway:					
Highway development	-	175,085	-	2,531,445	2,706,530
Highway construction	-	821,313	239,843	4,458,648	5,519,804
Transportation planning and research	-	181,326	121,106	1,188,653	1,491,085
Materials engineering	-	3,510,062	25,550	1,505,026	5,040,638
Traffic engineering	-	1,126,965	37,242	2,413,817	3,578,024
Administrative and other services	-	7,613,826	510,991	621,478	8,746,295
Highway Maintenance	<u>1,154,923</u>	<u>9,618,885</u>	<u>7,750,725</u>	<u>2,756,407</u>	<u>21,280,940</u>
<b>Total general fixed assets</b>	<u>\$ 10,863,072</u>	<u>\$ 110,107,920</u>	<u>\$ 31,086,260</u>	<u>\$ 39,454,138</u>	<u>\$ 191,511,390</u>

(1) Breakdown of assets by function and activity is not available prior to fiscal year 1991.

Arizona Department of Transportation  
 Schedule of Changes in General Fixed Assets - By Function and Activity  
 For the fiscal year ended June 30, 1999

<b>Function and Activity</b>	<b>General Fixed Assets July 1, 1998</b>	<b>Additions</b>	<b>Deductions</b>	<b>General Fixed Assets June 30, 1999</b>
Assets acquired prior to fiscal year 1991 (1)	\$ 81,167,572	\$ -	\$ <698,979>	\$ 80,468,593
Administration	20,772,117	1,738,536	<4,735,513>	17,775,140
Aeronautics Division	6,316,431	279,958	<12,414>	6,583,975
Motor Vehicle Division	31,611,626	6,762,595	<53,855>	38,320,366
Highway:				
Highway development	2,533,996	301,039	<128,505>	2,706,530
Highway construction	5,083,784	515,298	<79,278>	5,519,804
Transportation planning and research	1,255,748	292,862	<57,525>	1,491,085
Materials engineering	4,707,964	343,036	<10,362>	5,040,638
Traffic engineering	3,595,667	43,677	<61,320>	3,578,024
Administrative and other services	9,084,223	515,546	<853,474>	8,746,295
Highway Maintenance	16,375,928	4,948,250	<43,238>	21,280,940
<b>Total general fixed assets</b>	<b><u>\$ 182,505,056</u></b>	<b><u>\$ 15,740,797</u></b>	<b><u>\$ &lt;6,734,463&gt;</u></b>	<b><u>\$ 191,511,390</u></b>

(1) Breakdown of assets by function and activity is not available prior to fiscal year 1991.

## General Long-Term Debt Account Group

All long-term liabilities that are not presented as liabilities of a specific fund are accounted for in the General Long-Term Debt Account Group. This represents the noncurrent debt obligation of the Department.

Arizona Department of Transportation  
Schedule of Debt Service Requirements  
June 30, 1999

<b>Highway Revenue Bonds</b>							
<b>1990 Bonds</b>							
<b>Fiscal</b>	<b>Principal</b>		<b>Interest</b>				
<b>Year</b>							
2000	\$	8,495,000	\$	1,185,300			
2001		9,065,000		611,888			
	<b>\$</b>	<b>17,560,000</b>	<b>\$</b>	<b>1,797,188</b>			
<b>Subordinated Highway Revenue Bonds</b>							
<b>Fiscal</b>		<b>1991 Series A Bonds</b>		<b>1992 Series A Refunding Bonds</b>		<b>1992 Series B Bonds</b>	
<b>Year</b>		<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2000	\$	-	\$ 1,631,438	\$ 23,760,000	\$ 2,963,106	\$ -	\$ 2,687,330
2001		-	1,631,438	25,205,000	1,537,506	-	2,687,330
2002		-	1,631,438	-	-	5,990,000	2,687,330
2003		10,495,000	1,631,438	-	-	6,870,000	2,321,940
2004		11,410,000	713,126	-	-	7,300,000	1,896,000
2005		-	-	-	-	7,885,000	1,312,000
2006		-	-	-	-	8,515,000	681,200
	<b>\$</b>	<b>21,905,000</b>	<b>\$ 7,238,878</b>	<b>\$ 48,965,000</b>	<b>\$ 4,500,612</b>	<b>\$ 36,560,000</b>	<b>\$ 14,273,130</b>
<b>Highway Revenue Bonds</b>							
<b>Fiscal</b>		<b>1993 Series Refunding Bonds</b>		<b>1993 Series A and B Subordinated, Refunding Bonds</b>		<b>Total</b>	
<b>Year</b>		<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2000	\$	11,550,000	\$ 6,899,274	\$ 1,925,000	\$ 13,306,262	\$ 45,730,000	\$ 28,672,710
2001		11,385,000	6,356,422	2,010,000	13,225,412	47,665,000	26,049,996
2002		13,380,000	5,821,328	13,970,000	13,138,982	33,340,000	23,279,078
2003		1,000,000	5,179,088	16,585,000	12,524,302	34,950,000	21,656,768
2004		16,760,000	5,129,088	1,620,000	11,777,976	37,090,000	19,516,190
2005		17,600,000	4,291,088	13,820,000	11,703,456	39,305,000	17,306,544
2006		14,820,000	3,367,088	18,170,000	11,053,916	41,505,000	15,102,204
2007		15,605,000	2,589,038	28,235,000	10,181,758	43,840,000	12,770,796
2008		16,425,000	1,769,776	29,610,000	8,805,300	46,035,000	10,575,076
2009		17,285,000	907,464	31,395,000	7,028,700	48,680,000	7,936,164
2010		-	-	51,685,000	5,458,950	51,685,000	5,458,950
2011		-	-	54,520,000	2,624,700	54,520,000	2,624,700
	<b>\$</b>	<b>135,810,000</b>	<b>\$ 42,309,654</b>	<b>\$ 263,545,000</b>	<b>\$ 120,829,714</b>	<b>\$ 524,345,000</b>	<b>\$ 190,949,176</b>

(Continued)

Arizona Department of Transportation  
 Schedule of Debt Service Requirements  
 June 30, 1999

<b>Transportation Excise Tax Revenue Bonds</b>						
<b>Fiscal</b>	<b>1988 Series A</b>		<b>1989 Series A Subordinated Bonds</b>		<b>1991 Series A Bonds</b>	
	<b>Capital Appreciation Bonds</b>					
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2000	\$ -	\$ -	\$ 25,620,000	\$ 1,793,400	\$ 4,360,000	\$ 545,800
2001	-	-	-	-	4,640,000	284,200
2002	21,500,000	-	-	-	-	-
2003	21,500,000	-	-	-	-	-
2004	21,500,000	-	-	-	-	-
2005	8,500,000	-	-	-	-	-
	<b><u>\$ 73,000,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 25,620,000</u></b>	<b><u>\$ 1,793,400</u></b>	<b><u>\$ 9,000,000</u></b>	<b><u>\$ 830,000</u></b>

<b>Transportation Excise Tax Revenue Bonds</b>						
<b>Fiscal</b>	<b>1992 Series A Refunding Bonds</b>		<b>1992 Series B Bonds</b>		<b>1993 Series Subordinated Refunding Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2000	\$ 38,165,000	\$ 9,112,500	\$ 2,380,000	\$ 906,665	\$ 8,530,000	\$ 6,251,465
2001	40,170,000	7,127,920	2,500,000	782,905	8,890,000	5,893,205
2002	110,000	4,958,740	2,635,000	647,905	30,835,000	5,502,045
2003	23,240,000	4,952,690	2,780,000	502,980	31,180,000	3,775,285
2004	24,545,000	3,651,250	2,935,000	347,300	32,335,000	2,372,185
2005	38,955,000	2,239,913	3,105,000	178,538	18,825,000	884,775
	<b><u>\$ 165,185,000</u></b>	<b><u>\$ 32,043,013</u></b>	<b><u>\$ 16,335,000</u></b>	<b><u>\$ 3,366,293</u></b>	<b><u>\$ 130,595,000</u></b>	<b><u>\$ 24,678,960</u></b>

<b>Transportation Excise Tax Revenue Bonds</b>						
<b>Fiscal</b>	<b>1995 Series A Subordinated Bonds</b>		<b>1995 Series B Subordinated Refunding Bonds</b>		<b>1998 Series A Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2000	\$ 13,200,000	\$ 5,172,125	\$ 245,000	\$ 5,113,256	\$ 19,310,000	\$ 7,534,950
2001	13,925,000	4,446,125	255,000	5,102,538	37,985,000	6,697,250
2002	14,555,000	3,819,500	33,185,000	5,091,063	21,580,000	4,818,000
2003	15,355,000	3,018,975	10,215,000	3,099,963	25,865,000	3,757,000
2004	16,275,000	2,097,675	12,470,000	2,614,750	25,615,000	2,481,750
2005	17,330,000	1,039,800	30,070,000	1,804,200	25,090,000	1,217,000
	<b><u>\$ 90,640,000</u></b>	<b><u>\$ 19,594,200</u></b>	<b><u>\$ 86,440,000</u></b>	<b><u>\$ 22,825,770</u></b>	<b><u>\$ 155,445,000</u></b>	<b><u>\$ 26,505,950</u></b>

(Continued)

Arizona Department of Transportation  
 Schedule of Debt Service Requirements  
 June 30, 1999

Fiscal Year	<b>Transportation Excise Tax Revenue Bonds</b>	
	<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>
2000	\$ 111,810,000	\$ 36,430,161
2001	108,365,000	30,334,143
2002	124,400,000	24,837,253
2003	130,135,000	19,106,893
2004	135,675,000	13,564,910
2005	141,875,000	7,364,226
	<b><u>\$ 752,260,000</u></b>	<b><u>\$ 131,637,586</u></b>

Fiscal Year	<b>Total Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2000	\$ 157,540,000	\$ 65,102,871	\$ 222,642,871
2001	156,030,000	56,384,139	212,414,139
2002	157,740,000	48,116,331	205,856,331
2003	165,085,000	40,763,661	205,848,661
2004	172,765,000	33,081,100	205,846,100
2005	181,180,000	24,670,770	205,850,770
2006	41,505,000	15,102,204	56,607,204
2007	43,840,000	12,770,796	56,610,796
2008	46,035,000	10,575,076	56,610,076
2009	48,680,000	7,936,164	56,616,164
2010	51,685,000	5,458,950	57,143,950
2011	54,520,000	2,624,700	57,144,700
	<b><u>\$ 1,276,605,000</u></b>	<b><u>\$ 322,586,762</u></b>	<b><u>\$ 1,599,191,762</u></b>

Arizona Department of Transportation  
 Governmental and Expendable Trust Fund Expenditures  
 For the fiscal year ended June 30  
 (Thousands of Dollars)

Fiscal Year	Motor								Total
	Administration /1	Highway /2	Vehicle Division	Highway Maintenance	Highway Construction	Aviation	Debt Service	Other /3	
1999	\$ 44,648	\$ 42,035	\$ 70,438	\$ 79,304	\$ 869,810	\$ 26,787	\$ 226,928	\$ 59,305	\$ 1,419,255
1998	43,914	41,381	63,056	76,597	602,955	30,734	199,948	65,625	1,124,210
1997	43,981	40,230	30,147	70,336	540,203	18,975	210,446	84,433	1,038,751

	Motor								Total
	Administrative Services /4	Highway Division /5	Vehicle Division	Transportation Planning	Highway Construction	Aviation	Debt Service	Other /6	
1996	\$ 36,406	\$ 108,670	\$ 33,486	\$ 3,214	\$ 555,087	\$ 11,107	\$ 200,364	\$ 87,960	\$ 1,036,294
1995	36,933	108,495	35,221	3,381	418,601	9,239	182,554	57,757	852,181
1994	45,363	104,288	27,992	3,468	481,538	13,579	181,519	78,254	936,001
1993	38,473	111,188	30,776	3,589	446,676	17,279	168,684	66,274	882,939
1992	34,620	105,725	29,588	4,047	450,793	17,406	159,096	65,679	866,954
1991	32,685	107,434	29,312	3,717	569,343	12,046	149,049	66,778	970,364
1990	31,117	100,226	29,865	3,426	843,711	6,069	134,658	35,978	1,185,050

SOURCE: General Purpose Financial Statements - fiscal years 1990 through 1999

NOTES: /1 Includes the Director's Office, Financial Management (formerly Administrative) Services, Transportation Support Services and the Department's Risk Management Premium.

/2 Includes Transportation Planning.

/3 Includes Transportation not appropriated, Land, Building & Improvements, Leases Payable and Transfers

/4 Includes the Department's Risk Management Premium.

/5 Includes Highway Maintenance.

/6 Includes Reimbursements, Transfers, Director's Office, Highway Safety Office, and Land, Buildings & Improvements.

**Total Expenditures**

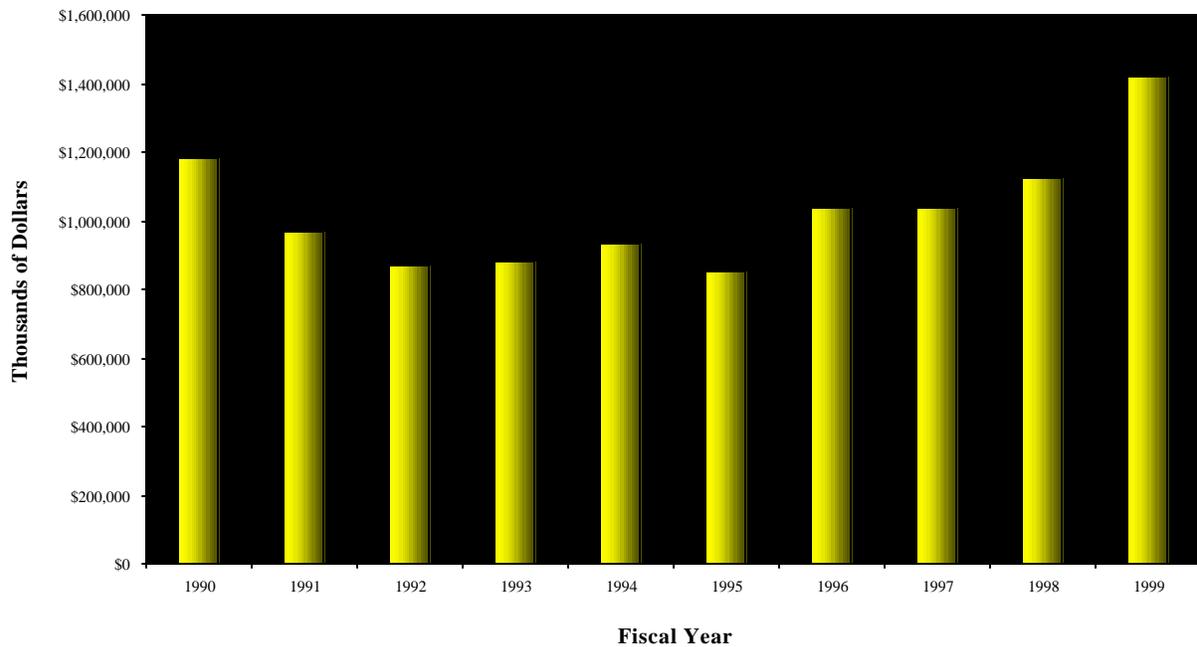


Table II

Arizona Department of Transportation  
Governmental and Expendable Trust Fund Revenues  
For the fiscal year ended June 30  
(Thousands of Dollars)

Fiscal Year	Motor Fuel Tax	Reg., Fees, Permits, Service Charges	Expenditures of Federal Awards	Investment Earnings	Other	Reimbursements	Total /1
1999	\$ 298,394	\$ 250,121	\$ 419,212	\$ 34,377	\$ 257,712	\$ 16,665	\$ 1,276,481
1998	273,806	210,370	283,982	34,382	223,486	8,505	1,034,531
1997	288,878	198,002	305,438	33,238	231,792	15,083	1,072,431
1996	291,000	171,823	268,605	29,603	228,698	32,711	1,022,440
1995	293,870	133,689	225,607	22,340	190,498	17,808	883,812
1994	280,394	117,412	261,000	14,229	177,561	13,130	863,726
1993	264,307	102,524	183,407	18,560	153,333	22,604	744,735
1992	261,678	89,261	174,683	22,422	138,097	18,513	704,654
1991	256,521	99,389	191,899	31,799	132,707	12,632	724,947
1990	225,737	109,159	189,955	51,651	125,970	20,485	722,957

SOURCE: General Purpose Financial Statements - Fiscal Years 1990 through 1999

NOTE: /1 Method of accounting for taxpayer assessed revenues has been changed due to the adoption of GASB Statement No. 22 during fiscal year 1995.

### Total Revenues

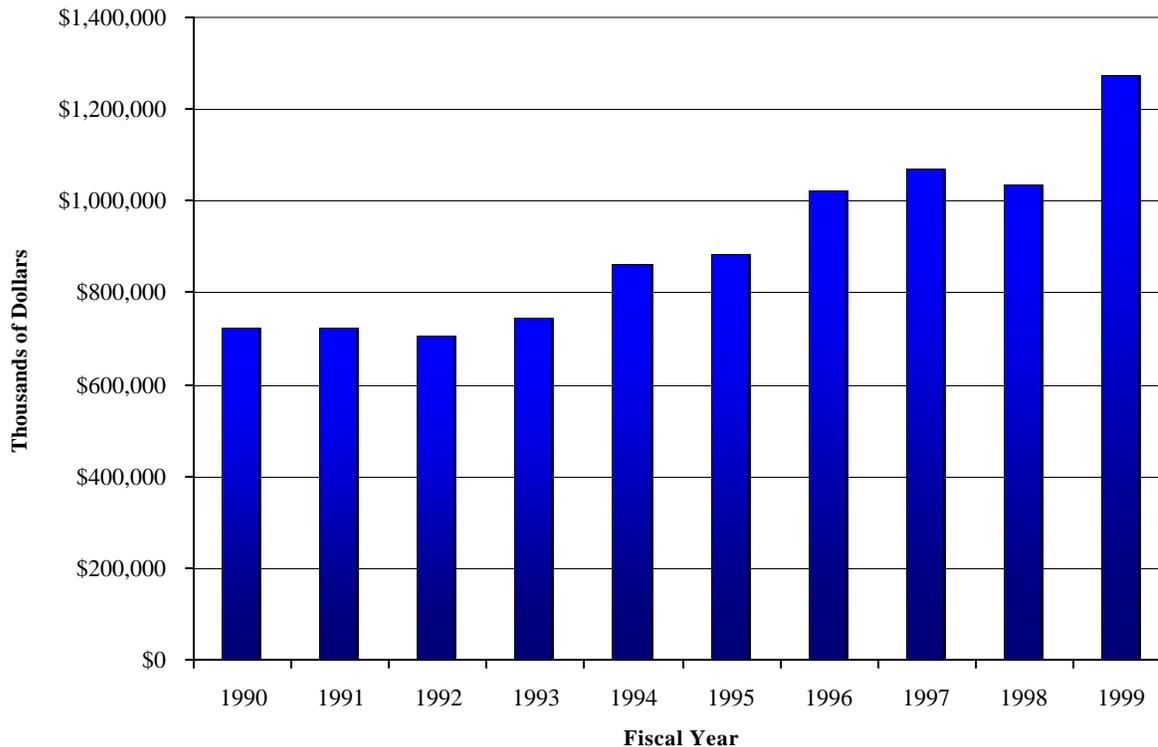


Table III

Arizona Department of Transportation  
Expenditures of Federal Awards /2  
For the fiscal year ended June 30  
(Thousands of Dollars)

Fiscal Year	FAA	FRA	FTA	NHTSA	FHWA	BLM	BIA	Total
1999	\$ 6,278	\$ 69	\$ 5,107	\$ 275	\$ 406,509	\$ -	\$ 974	\$ 419,212
1998	2,379	14	3,392	49	278,148	-	-	283,982
1997	91	130	2,508	-	302,633	-	76	305,438
1996	506	499	3,552	-	261,820	-	2,228	268,605
1995	849	475	1,687	-	221,818	28	750	225,607
1994	129	437	3,448	-	256,986	-	-	261,000
1993	3,208	441	1,715	55	177,968	20	-	183,407
1992	4,369	12	1,097	54	169,151	-	-	174,683
1991	1,642	-	559	-	189,698	-	-	191,899
1990	164	59	1,563	39	188,130	-	-	189,955

SOURCE: Single Audit Reports - fiscal years 1990 through 1999

NOTES: /1 Includes all governmental and expendable trust funds.

/2 Federal Aviation Administration (FAA); Federal Railroad Administration (FRA); Federal Transit Administration (FTA) - previously Urban Mass Transit Administration (UMTA); National Highway Transportation Safety Administration (NHTSA); Federal Highway Administration (FHWA); Bureau of Land Management (BLM); Bureau of Indian Affairs (BIA); and Department of Agriculture (DOA).

### Total Expenditures of Federal Awards

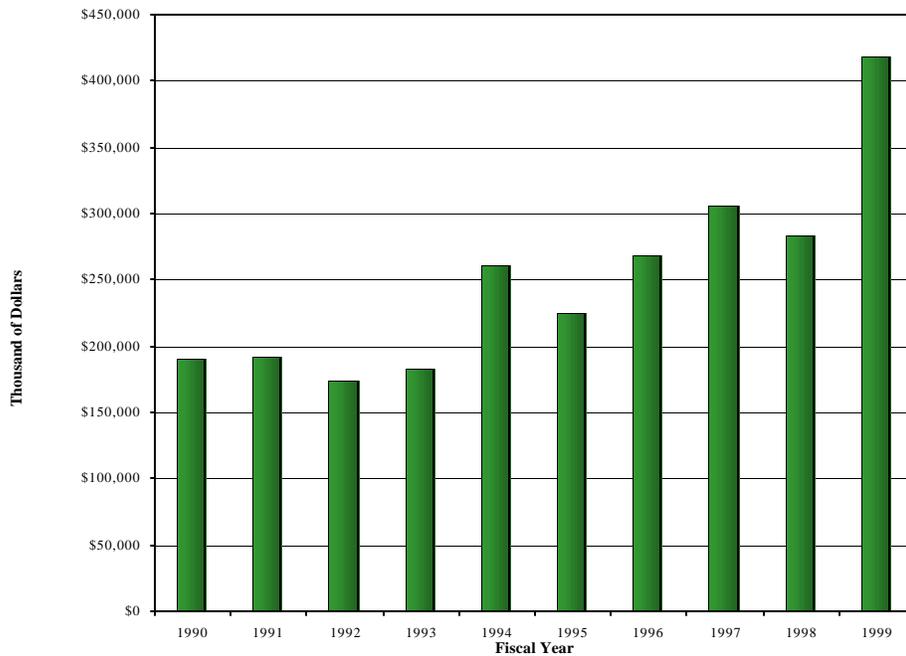


Table IV

Arizona Department of Transportation  
 Fuel Tax Rates  
 For the fiscal year ended June 30  
 (Cents per Gallon)

---

Fiscal Year	Effective Date	Gasoline Tax	Use Fuel Tax /1
1999	-	18	27
1998	12/31/97	18	27
1997	-	18	18
1996	-	18	18
1995	-	18	18
1994	-	18	18
1993	-	18	18
1992	-	18	18
1991	10/1/90	18	18
1990	9/1/88	17	17

SOURCE: Arizona Revised Statutes 28-5606, 28-5708

NOTE: Gasohol is currently taxed at the same rate as gasoline and use fuel. Use fuel is primarily diesel fuel.

/1 Scheduled to be 26 cents per gallon on 7/1/2000.

Arizona Department of Transportation  
 Highway User Revenue Fund Collections  
 For the fiscal year ended June 30  
 (Thousands of Dollars)

Fiscal Year	Motor Veh. Fuel Tax Revenue	Motor Veh. Reg. Fee Revenues	Motor Carrier Tax Revenues	Motor Veh. Operators' License Fees and Other Fees	Motor Veh. License (In Lieu) Tax Revenues	Excess License and Sales Tax Revenues	Total Deposited To Arizona Hwy. User Rev. Fund
1999	\$ 557,775	\$ 131,952	\$ 34,150	\$ 38,775	\$ 220,126	\$ -	\$ 982,778
1998	508,544	109,445	56,123	36,426	176,950	-	887,488
1997	488,701	101,528	90,186	41,294	175,253	-	896,962
1996	473,741	97,601	85,433	42,654	160,145	-	859,574
1995	451,089	86,159	92,103	39,238	131,562	-	800,151
1994	422,556	83,826	118,530	37,161	113,990	-	776,063
1993	387,235	80,717	120,303	24,161	105,027	-	717,443
1992	369,789	74,180	109,573	25,507	96,146	-	675,195
1991	362,018	75,657	108,655	24,033	92,826	16,632	679,821
1990	339,116	88,536	104,343	25,474	91,390	15,198	664,057

SOURCE: Arizona Highway User Revenue Fund Revenue Collections by Category.

**Highway User Revenue Fund Collections**

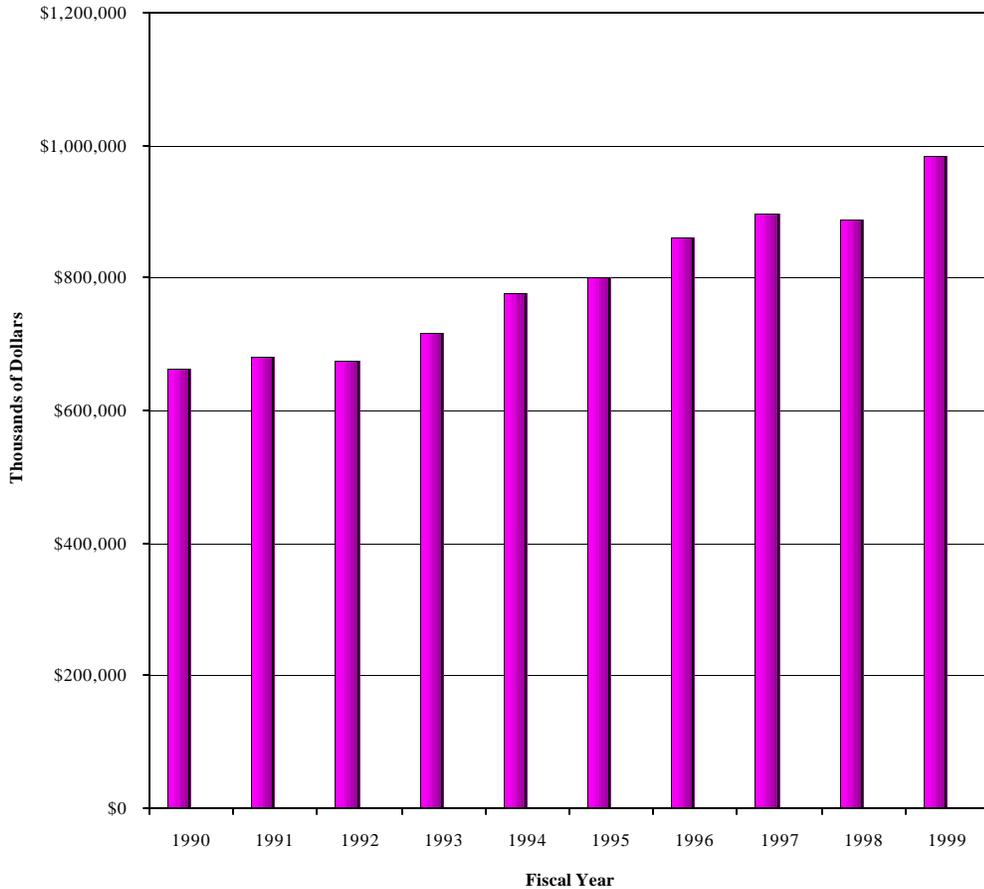


Table VI

Arizona Department of Transportation  
Highway User Revenue Fund Distributions  
For the fiscal year ended June 30  
(Thousands of Dollars)

Fiscal Year	State Highway Fund /1	Cities and Towns	Counties	Department of Public Safety /2	Economic Strength Project Fund	Other /3	Total
1999	\$ 512,149	\$295,879	\$199,591	\$ 12,630	\$ 1,000	\$ 8,461	\$ 1,029,710
1998	435,882	263,220	163,973	14,688	1,000	8,519	887,282
1997	444,927	268,696	167,350	17,188	1,000	9,289	908,450
1996	429,171	256,901	152,571	19,688	1,000	9,304	868,635
1995	412,206	244,512	145,349	20,000	1,000	9,084	832,151
1994	406,376	205,479	134,511	24,925	1,000	532	772,823
1993	355,304	210,531	124,468	24,928	1,000	1,212	717,443
1992	339,807	201,394	119,068	12,453	1,000	1,473	675,195
1991	346,867	208,708	123,746	-	500	-	679,821
1990	329,698	209,767	124,092	-	500	-	664,057

The Highway User Revenue Fund receives certain Motor Vehicle Division revenues from the Motor Vehicle Division Clearing Fund. These monies are distributed to the State Highway Fund and various counties and cities, based on statutory formulas.

SOURCES: Highway User Revenue Fund Schedule 1 Summary for Revenue Collected Monthly Reports MV675580-01 fiscal years 1993 through 1999 (adjusted for accrual basis in years 1994 through 1999); Highway User Revenue Fund Report (Budgetary Basis) - fiscal years 1990 through 1992.

NOTES: /1 In fiscal year 1995, HB 2431 authorized the transfer of \$1 million for border transportation projects. The revenues beginning in fiscal year 1994 are presented on an accrual basis and are not the same as Table VII.

/2 DPS did not receive funding from HURF in fiscal years 1990 through 1991 in accordance with ARS 28-6537.

/3 Appropriation to the Motor Vehicle Division for funding of mandatory insurance enforcement administration for fiscal years 1992 through 1994. In fiscal years 1995 through 1999, an appropriation for Arizona State Parks is included.

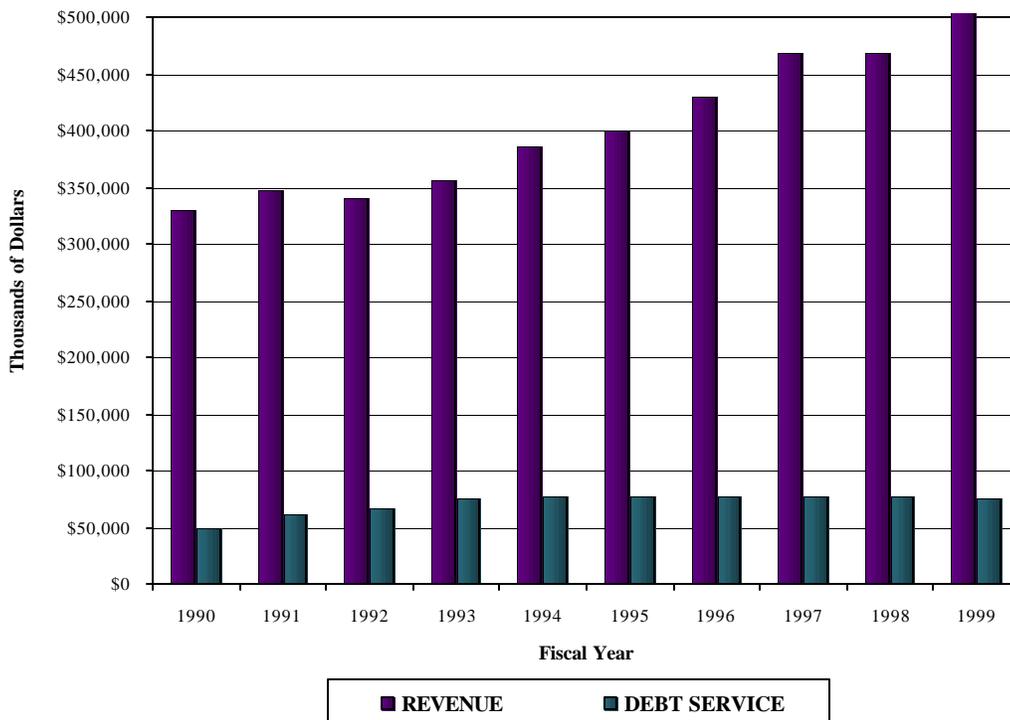
Arizona Department of Transportation  
 Bond Coverage  
 Highway User Revenue Fund Series  
 For the fiscal year ended June 30  
 (Thousands of Dollars)

Fiscal Year	Principal	Interest	Total	Pledged Revenues /1	Coverage
1999	\$ 43,805	#####	#####	#####	6.8
1998	43,405	33,266	76,671	468,240	6.1
1997	40,970	36,148	77,118	468,542	6.1
1996	38,430	38,770	77,200	429,825	5.6
1995	36,330	40,974	77,304	399,605	5.2
1994	33,425	44,037	77,462	385,844	5.0
1993	27,865	48,289	76,154	355,304	4.7
1992	26,185	39,957	66,142	339,807	5.1
1991	24,690	36,743	61,433	346,867	5.6
1990	23,340	26,609	49,949	329,698	6.6

SOURCES: Highway User Revenue Fund Schedule 1 Summary For Revenue Collected Monthly Reports MV675577-1 fiscal years 1993 through 1999; Highway User Revenue Fund Report (Budgetary Basis) - fiscal years 1990 through 1992; Debt Service Funds - fiscal years 1990 through 1999.

/1 For fiscal years 1990 through 1996, net of 7% distributed to cities with a population greater than 300,000 persons. For fiscal years 1997 and after, includes vehicle license tax revenues distributed directly to the State Highway Fund.

**Highway User Revenue Fund Series Bond Coverage**



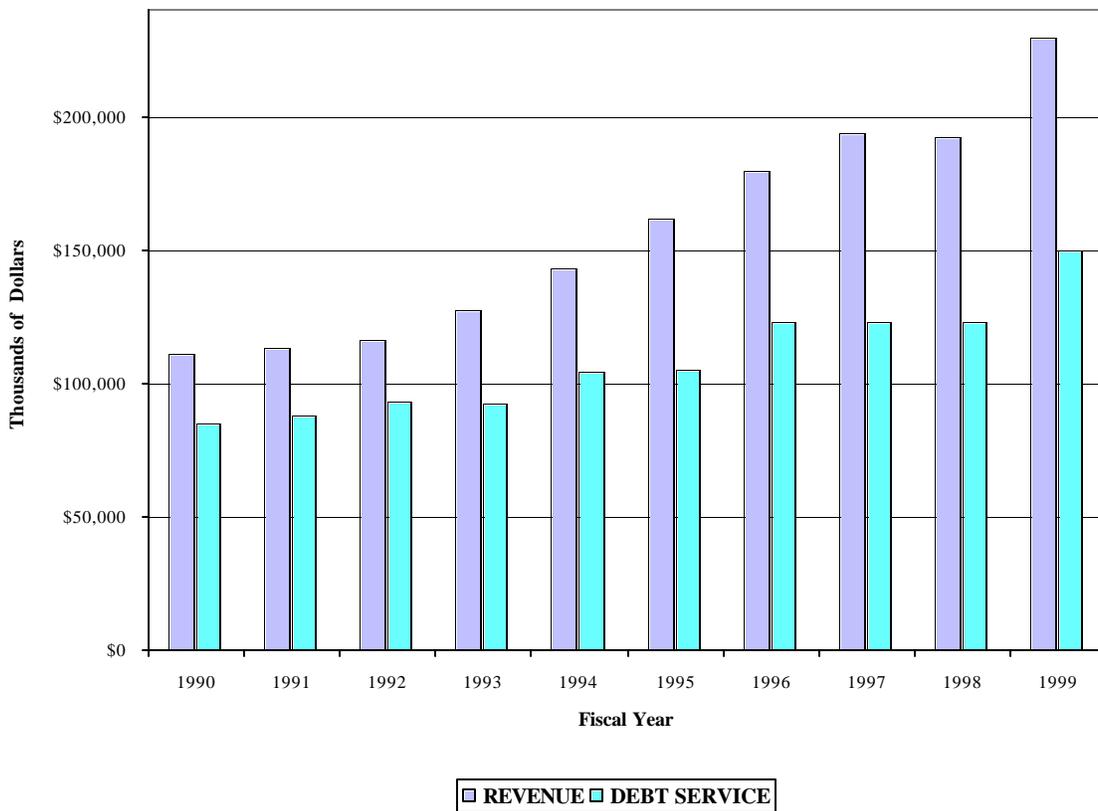
Arizona Department of Transportation  
 Bond Coverage  
 Regional Area Road Fund Series  
 For the fiscal year ended June 30  
 (Thousands of Dollars)

Fiscal Year	Principal	Interest	Total	Revenues	Coverage
1999	\$ 106,765	\$ 43,251	\$ 150,016	\$ 229,470	1.5
1998	82,765	40,512	123,277	192,519	1.6
1997	78,015	45,248	123,263	193,756	1.6
1996	76,955	46,209	123,164	179,533	1.5
1995	57,930	47,320	105,250	161,761	1.5
1994	54,710	49,347	104,057	142,846	1.4
1993	45,650	46,880	92,530	127,273	1.4
1992	38,410	54,544	92,954	116,497	1.3
1991	34,480	53,136	87,616	113,335	1.3
1990	34,485	50,224	84,709	110,801	1.3

SOURCES: Maricopa County Regional Area Road Fund Report.

NOTE: Bond coverage ratio is based upon total Maricopa Transportation Excise Tax collections.

**Regional Area Road Fund Series Bond Coverage**



Arizona Department of Transportation  
 Total Public Road Mileage By Highway Class and Governmental Ownership  
 For the calendar year ended December 31, 1998  
 (With comparative totals for the calendar year ended December 31, 1997)  
 (In Miles)

<b>FUNCTIONAL CLASSIFICATION</b>	<b>STATE</b>	<b>COUNTY</b>	<b>MUNICIPAL</b>	<b>FEDERAL</b>	<b>TOTAL</b>	
					<b>1998</b>	<b>1997</b>
<b>RURAL:</b>						
Interstate Freeway	996	-	-	-	996	996
Principal Arterial	1,118	45	14	9	1,186	1,186
Minor Arterial	1,133	101	23	-	1,257	1,257
Major Collector	1,860	1,587	216	842	4,505	4,505
Minor Collector	375	1,118	52	756	2,301	2,300
Local	361	14,195	1,659	10,192	26,407	28,174
<b>TOTAL RURAL</b>	<b>5,843</b>	<b>17,046</b>	<b>1,964</b>	<b>11,799</b>	<b>36,652</b>	<b>38,418</b>
<b>URBAN:</b>						
Interstate Freeway	172	-	-	-	172	173
Urban Expressway	90	1	9	-	100	96
Principal Arterial	271	105	652	-	1,028	1,028
Minor Arterial	129	275	865	5	1,274	1,275
Urban Collector	5	508	1,220	16	1,749	1,749
Local	102	1,001	11,862	30	12,995	12,974
<b>TOTAL URBAN</b>	<b>769</b>	<b>1,890</b>	<b>14,608</b>	<b>51</b>	<b>17,318</b>	<b>17,295</b>
<b>STATEWIDE COMPOSITE:</b>						
Freeways and Expressways	1,258	1	9	-	1,268	1,265
Arterials	2,651	526	1,554	14	4,745	4,746
Collectors	2,240	3,213	1,488	1,614	8,555	8,554
Locals	463	15,196	13,521	10,222	39,402	41,148
<b>TOTAL STATEWIDE</b>	<b>6,612</b>	<b>18,936</b>	<b>16,572</b>	<b>11,850</b>	<b>53,970</b>	<b>55,713</b>

Source: Arizona's Highway Performance Monitoring System (HPMS); 1998 & 1997 Data

## **ACKNOWLEDGMENTS**

The Comprehensive Annual Financial Report was prepared by Financial Management Services, Fiscal Operations:

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